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Economic Implications of the Impact of Trade Unionism on the Southern Manufacturing Industry.

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ECONOMIC IMPLICATIONS OF THE IMPACT OF TRADE UNIONISM ON THE SOUTHERN MANUFACTURING INDUSTRY

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TABLE OF CONTENTS

LIST OF TABLES

ABSTRACT

Union membership has grown rapidly in the South since 1933. In 1946 both of the great national federations launched organizing campaigns. By 1948, the combined membership claims of both national federations in the South totalled more than 2,500,000.

The main objective of the unions in the South, according to their press, is the equalization of wages between the South and the rest of the United States by the rapid, if not immediate, elimination of the Southern wage differentials. The unions propose to eliminate the Southern wage differentials by the elevation of the Southern wage level.

The rapid rise of unionism in the South, and the proposal of the unions to eliminate the Southern wage differentials, have posed the problem which is investigated by this study. The problem may be put in the form of a question: What has been the impact of trade unionism on the wage structure of the Southern manufacturing industry, and what would be the economic consequences of the immediate elimination of the Southern wage differentials in the manufacturing industry?

The analysis and solution of the problem are preceded by three chapters which provide: (1) a summary history of the development of trade unionism in the South, and (2) a summary statement of the affirmative and negative positions in regard to the social, economic,

and political desirability of the unionization of Southern industry.

The impact of trade unionism on the wage structure of the Southern manufacturing industry is traced in Chapter IV. Three types of statistical comparisons are made in order to measure the impact of trade unionism on the wage structure of the Southern manufacturing industry. First, the union-nonunion average-hourly-earnings differentials in the Southeast, and in the United States, are compared with the per cent of unionization in the Southeast, and in the United States. Secondly, the Southern wage differentials in the selected manufacturing industries are compared with the per cent of unionization in the Southeast, and with differences in the per cent of unionization between the Southeast and the rest of the United States, in selected industries. Thirdly, trends in the Southern wage differentials are compared with the per cent of unionization in the Southeast, and with differences in the degree of unionization between the Southeast and the rest of the United States, in selected industries.

The probable economic consequences to be expected in the event of the elimination of the Southern wage differentials in the manufacturing industry are traced in Chapter V. The following methodological approach is taken. First, the economic theory of regional wage differentials is developed, and the economic justification for each hypothetical cause of regional wage differentials is analyzed. Secondly, the historical causes of the Southern wage differentials in the manufacturing industry are investigated. Thirdly, the probable economic consequences to be expected from the elimination of the Southern wage differentials

in the manufacturing industry are indicated.

The following findings of fact, evaluations, and conclusions are in many cases not original — in the sense that they have never before been stated. The marshalling and organization of the economic data on which the evaluations and conclusions rest, however, is to a large extent original to this study. The most significant results of the study are set forth below.

First, the average hourly earnings of union workers exceed the earnings of nonunion workers in the great majority of the selected manufacturing industries in the South. The union-nonunion average-hourly-earnings differentials in the South, however, are not so high as in the United States.

Secondly, Southern wage differentials exist in nearly all manufacturing industries. The differentials exist both for all workers, and for workers in similar occupations in each industry.

Thirdly, the magnitude of the average Southern wage differential for all manufacturing industries has remained practically unchanged since 1900. The trends among individual manufacturing industries, however, are divergent, and the over-all trend since 1930 is downward.

Fourthly, a multiple-causation theory alone is capable of explaining the Southern wage differentials in the manufacturing industry.

Fifthly, the Southern wage differentials are the result of lower labor productivity in the South, a lower cost of living in the South, a lower degree of unionization in the South, a fewer number of buyers of labor in local markets in the South, and a larger proportion

of Negroes in the Southern labor force than in that of the rest of the United States. Available evidence indicates that the causes of the Southern wage differentials, in the order of their importance, are approximately as given above.

Sixthly, to the extent that Southern wage differentials are the result of lower labor productivity, or a lower cost of living in the South, than in the rest of the United States, their elimination is not economically justified, until the causes of the differentials have been removed. To the extent that the differentials are due to fewer buyers of labor in local labor markets in the South, or to relatively greater ignorance of labor market conditions among the higher proportion of Negroes in the South, than in the rest of the United States, the Southern wage differentials are without economic justification. To the extent that the Southern wage differentials are the result of a lower degree of unionization in the South than in the rest of the United States, the Southern wage differentials are unjustified, unless the non-Southern workers have raised their wages by appropriating the returns which formerly went to other factors of production in accordance with their productivity. If the latter case is true, the wage differentials could economically be eliminated, but only by lowering non-Southern wage levels.

Seventhly, to the extent that Southern wage differentials are eliminated without due consideration of the above criteria, there would result an uneconomic distribution of income among the factors of production, an uneconomic allocation of the factors of production between regions, and a lower scale of living in the South and in the United States.

CHAPTER I

THE DEVELOPMENT OF TRADE UNIONISM IN THE SOUTH

INTRODUCTION

The definitive history of the development of trade unionism in the South has not been written. It is likely, moreover, that a large part of the record has been lost or misplaced through neglect and lack of foresight. This condition will probably not persist for too long a time into the future. The rapid growth of organized labor over the nation and the drive for members by both of the two great national organizations in the South are stimulating a new interest in labor history. State histories are being prepared, and special studies of limited scope are being undertaken by federal and state labor departments, university research bureaus, and unions themselves. Such research will lay the foundation for a more comprehensive record and interpretation.

It is certainly not the purpose of this chapter to attempt such a task. The history of trade unionism in the South is here treated in a summary manner. The purpose of the chapter is to point out only the broad outlines of the development of trade unionism in the South and to explain only the basic forces which have been stimulating or retarding the efforts of the unions to organize workers in the Southern region.

Special emphasis is placed on the development of the industrial unions since 1933; for it was these unions which, for the most part,

organized the workers in the Southern manufacturing industry. The discussion of the development of unionism since 1933 has been cast more in terms of numerical strength of the unions and of the degree of organization within the several manufacturing industries, rather than in terms of the detailed institutional growth of the unions.

A special section of the chapter is devoted to the great organizing drives which began in 1946. The success of these campaigns is measured by the anticipations of the unions, and the underlying factors affecting the course of the drives are evaluated. Finally, a tentative prognosis of the growth of unionism in the South is advanced.

EARLY PERIOD (TO 1890)

The extent of labor organization in the South before the Civil War was slight, as it was also over the entire nation. The precise degree of organization in the ante bellum South has, nevertheless, been subject to dispute. It is the position of Professor Philip S. Foner that labor organization in the South was practically negligible, far less in degree than in other sections of the country. In his History of the Labor Movement in the United States Professor Foner maintains:

> "that southern workers did not contribute much to the early development of the American trade union movement. The three and a half million slaves in 1860 could not organize into trade unions or bargain collectively for higher wages, shorter hours, and better working conditions. And whenever the free, white workers tried to organize they found the bitter resistance of the slave power."[1]

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[1] Philip S. Foner, History of the Labor Movement in the United States (New York: International Publishers, 1947), p. 250.

Professor Richard B. Morris is more liberal than Professor Foner in his view of the extent of labor organization in the ante bellum South. He believes that the relative absence of labor organizations is largely presumed by labor historians who have not diligently investigated labor activity in the pre-Civil-War South. According to Morris, that part of John R. Commons and associates' History of Labor in the United States which dealt with labor in the pre-Civil-War South was based exclusively for the pre-Civil-War period, on the files of Northern newspapers and the newspapers of a few border states. "But even these inadequate sources hold at least a hint of white trade union militancy in the slave states,"[2] says Morris, pointing out that Commons' History of Labor in the United States listed twenty-three different trade unions organized and twelve strikes called or threatened between 1833 and 1837 in Baltimore, chief business center of the slave state of Maryland. The number of unions organized in Baltimore "compares favorably with trade union activity in Philadelphia and New York during the same period,"[3] states Morris. Strikes listed in other Southern cities by Commons during this period included seven in Washington, four in suburban Georgetown, and one each in Richmond and New Orleans. In New Orleans there were records of four labor organizations in existence before the Civil War: the Mechanics Society, the Typographical Society, the Screwmen's Beneficial Association, and the

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[2] Hollace Ramsdell, "Research Throws New Light on Southern Labor," CIO News, Vol. 11, No. 22 (June 7, 1948), p. 4.

[3] Ibid., p. 4.

United Laborers' Beneficial Society. Two of these groups were mutual aid societies, but the two others, the Screwmen's Association and the Typographical Society, were militant trade unions.[4] The Typographical Society held its national convention in New Orleans in 1857. In Dallas a typographical union was active in the 1850s, and Carpenter's Local 7 began an existence in 1860 which has continued down to the present day.[5]

Morris charges that the leads given by Commons were not followed up by American labor historians. Morris is presently undertaking a study of labor controls in the slave states under a grant from the American Philosophical Society; and in an article appearing in Labor and Nation he states that his researches into Southern labor during the slave period have indicated the presence:

> "of a fighting labor movement — sporadic and lacking in unity to be sure — in such slave states as Virginia, South Carolina, and Louisiana, where white laborers, as compared with slave labor, held an unfavorable and even degraded position, and where slave competition, traditional slave labor controls, and economic conservatism would be presumed to be powerful deterrents to such risky operations."[6]

The controversy over the degree of labor organization in the ante bellum South, as has been epitomized in the divergent viewpoints

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[4] Foner, op. cit., p. 249.

[5] Ruth Allen, "Sketch History of the Texas State Federation of Labor," Chapters in the History of Organized Labor in Texas (Austin: Bureau of Research in the Social Sciences, University of Texas, 1941), p. 136.

[6] Ramsdell, op. cit., p. 5.

of Professor Foner and Professor Morris, is not altogether an idle one. If labor organisation and the spirit for such organisation were almost entirely lacking in the South from its early settlement to the rise of the Knights of Labor, it would constitute strong evidence in explaining the typical apathy of the Southern workers toward organization in subsequent years. If such organization and spirit for organization were present in the South, the student of labor history must look elsewhere for his explanation of Southern indifference to unionism in more modern times.

The chaos of war and reconstruction did not offer a hospitable environment for the growth of labor organization in the South; and it is doubtful if the Southern labor movement experienced the growth that occurred in the more stable and prosperous North, where rising prices, full employment, and security from invasion led to the growth of organized labor in the latter years of the war.

The next phase of the development of labor organization in the South awaited, therefore, the restoration of order and the appearance of the Knights of Labor.

The Knights of Labor was organized in Philadelphia in 1869 by a group of garment workers under the leadership of Uriah Stevens. The organization grew slowly and remained a secret organization until the decade of the 1880s. It entered the South as early as 1879 when assemblies were organized in Alabama and Kentucky. Growth was slow until 1885. By 1886, however, so fast had been the spurt in membership in barely a year, thirty thousand Southern workers were enrolled

in 487 assemblies in ten Southern states.[7] The peak in membership came a year or so after 1886, but the strength of the movement ebbed rapidly after 1890 as the result of inept leadership, unsuccessful strikes, employer opposition, competition from the American Federation of Labor, and a strategy ill-adapted to the American scene at the close of the nineteenth century.

Although the Knights of Labor passed quickly from the stream of history, it began a skein of organizing activity that was taken up by the American Federation of Labor, a better-led and ideologically better-oriented organization, and carried down to the present time. The Knights contributed little in the way of developing an effective strategy or tactics of organization. They did, however, undoubtedly open the eyes of many Southern workers to the possibility of organization.

THE MIDDLE PERIOD (1890-1932)

Introduction. The year 1890 marked the end of the period of vicissitude and adversity for the American labor movement. Until that year the labor movement had alternately appeared and disappeared with swings of the business cycle. Many of its organizational attempts had ended in fruitless political action. No central national federation had lasted for more than a few years. Membership had been restricted

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[7] H. M. Douty, "Development of Trade-Unionism in the South," Labor in the South, Bulletin No. 898, United States Department of Labor, Bureau of Labor Statistics (Washington: United States Government Printing Office, 1947), pp. 149-150.

to an elite, composed of the skilled. Mutual insurance and protection was the sole function of many of the labor organizations that had appeared. The most far-flung and massive effort to organize a truly national labor movement had ended in 1890 in the disintegration of the Knights of Labor.

By 1886 the stronger national unions had organized the American Federation of Labor to aid in the fight against the Knights of Labor, when that organization threatened their existence during the hectic years of the middle 1880s. The American Federation of Labor had emerged in 1890 as the survivor of this struggle within the ranks of labor. Under the leadership of the American Federation of Labor the labor movement for the first time in its history held its membership through the panic of 1893. From that date until 1920 the Federation enjoyed almost continuous growth. During this period and until 1935 the only important American unions that were not in the American Federation of Labor were the railroad brotherhoods. The American Federation of Labor was ably led by Samuel Gompers who served as its president from 1886 to 1924 with the exception of one year. Its reliance on economic action, its acceptance of capitalism, its opportunism and persistence proved to be the correct policies for the unionism of that area.

1897-1914. In 1897 membership in American trade unions numbered 447,000. By 1914 the number had grown to 2,687,100.[8] The strongest unions were in coal mining, building construction and railroad transportation. The unions in these areas had a combined membership of

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[8] Leo Wolman, Ebb and Flow in Trade Unionism (New York: National Bureau of Economic Research, 1936), p. 16.

1,279,300; and they dominated the labor movement until 1933 except for the war years from 1915 to 1920 when the metal-working and clothing unions rose to power.[9]

The craft unions penetrated all the states of the South. Contrary to popular belief this branch of the labor movement was as strong in the South as elsewhere relative to the South's industrial development. The industrial unions, which for the most part organized workers in the Southern manufacturing industry, were relatively weak in the South. The weakness was especially apparent in the textile and coal industries, two of the South's most important industries.

The history of the growth of unionism in the South logically divided itself into two rather distinct streams. In one of these streams was to be noted the gradual but steady growth of craft unionism, particularly in the fields of building construction and transportation. In the other was to be seen the fitful and unsuccessful attempts of industrial unionism to establish itself in the Southern manufacturing industry. In textiles, in steel, in tobacco, in coal mining, in lumber, in furniture — the unions were consistently repulsed.

The steady growth of the American Federation of Labor and the predominance of the craft unions in this growth revealed themselves in the membership statistics of the Texas State Federation of Labor. In 1890 the American Federation of Labor at its annual convention

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[9] Ibid., p. 20.

granted a charter to two Texas groups. In 1891 an accredited delegate represented the Dallas Federation of Labor. In 1895 the first city trades council was established at San Antonio. By 1900 there were central trades councils at Austin, Corsicana, Dallas, Gainesville, Hillsboro, and Sherman. In 1900 the Texas State Federation of Labor came into existence, and in 1903 it received a charter from the American Federation of Labor.[10] By 1903, 108 local unions from forty-three different national or international unions were represented at the annual state convention. The number of local unions represented at later conventions grew to 194 in 1910, 291 in 1916, and 502 in 1920. These locals represented 52 different national unions in 1910, 72 in 1916, and 123 in 1920.[11] Of the forty-three national unions represented at the 1903 state convention only two unions could be definitely classed as industrial unions — the brewery workers and the mine workers. There are reasons for believing that the growth of the American Federation of Labor in Texas was duplicated on a smaller but relatively equal scale in other states of the South.

During the period from 1890 to 1914 there were organization drives by industrial unions in the South in the textile, coal mining, steel, tobacco, and lumber industries. None of these drives was successful, and by the end of the period only an insignificant residue of union membership remained in these industries.

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[10] Allen, op. cit., p. 123.

[11] Ibid., pp. 153-158.

By 1898, local textile unions in Augusta, Georgia had affiliated themselves with the National Union of Textile Workers, which in 1901 became the United Textile Workers' Union. Locals were organized in the Carolinas and in Virginia, but the incipient movement was broken by unsuccessful strikes in 1901 in Danville, Virginia, and Augusta.[12]

The United Mine Workers, formed in 1890 out of the older National Federation of Miners and Mine Laborers, moved into the Alabama coal fields in the early 1890s with an unusual degree of success. By 1902, 65 per cent of the workers were organized, and many of the operators recognized the union and bargained collectively with it. An oft-repeated pattern of defeat occurred in 1904, when a number of operators refused to enter into an agreement, and in 1908, when the remaining operators withdrew recognition and defeated the union in a strike.[13]

Iron workers, who had had lodges in the South in the days of the Sons of Vulcan, 1859 to 1876, had obtained contracts with the Tennessee Coal and Iron Company through the agency of the Amalgamated Association of Iron and Steel Workers, the successor in 1876 to the Sons of Vulcan and two other iron unions.[14] In 1902 the United States Steel Corporation was organized and under the instigation of Frick adopted an implacable policy of antiunionism. An offshoot of this policy was the severing of bargaining relationships with the representatives of the employees of its Southern affiliate. In the face of

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[12] Douty, op. cit., p. 152.

[13] Ibid., pp. 152-153.

[14] Horace B. Davis, Labor and Steel (New York: International Publishers Inc., 1933), p. 231.

continued opposition the union weakened rapidly and ceased to exist by 1909.[15]

In the tobacco and lumber industries brief uprisings occurred. The Brotherhood of Timber Workers had been organized by 1910 and laid claim to a membership of thirty-five thousand in Arkansas, Louisiana, and Texas. In 1912 the Brotherhood affiliated with the Industrial Workmen of the World, engaged in a series of futile strikes, and disappeared by 1915.[16] The International Tobacco Workers Union was established during this period, enjoyed considerable success for a few years, but declined to a membership of approximately 3,245 in 1915.[17]

1915-1919. The period from 1915 to 1919 was one of remarkable growth for organized labor both in the nation and in the South. With the aid of rising prices, increased employment, cessation of immigration, and a favorable governmental policy the unions were able to increase their membership from 2,582,600 to 5,047,800.[18] Three-fourths of the increase occurred in building construction, transportation, metals, machinery and shipbuilding, and clothing.[19]

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[15] Robert R. Brooks, As Steel Goes (New Haven: Yale University Press, 1940), pp. 26-33.

[16] Douty, op. cit., p. 153-154.

[17] Ibid., p. 151.

[18] Wolman, op. cit., p. 26.

[19] Ibid., p. 27.

In the South, as over the nation, the stronger craft unions began to enjoy gains in membership as early as 1915.[20] Although no membership figures for the South are available for this period, it is probable that the growth of unionism in building construction, transportation, and shipbuilding was relatively as large in the South as it was over the nation.

By 1917 unionism began to expand in the Southern manufacturing industry, where the industrial unions organized workers. In textiles, coal mining, iron and steel, and tobacco a new breath of life suffused the unions. Only the lumber and furniture industries were more or less untouched by the wave of organization. But the advances were temporary. The drive in textiles, which moved through South Carolina, Georgia, and North Carolina between 1917 and 1919, foundered in the strike of June 1, 1921 to the extent that all ground gained was lost shortly thereafter.[21] Organizers for the United Mine Workers reentered the Alabama coal fields, secured a wage increase in 1917 through strike action, but failed to achieve recognition. The Alabama miners participated in the national strike of 1919 which resulted in the appointment of the Wilson Coal Commission. The latter body granted a wage increase, but the employers were adamant in refusing recognition. The strike of 1919 was followed by a state-wide strike in 1920 that was ended through arbitration by the governor who handed down a decision distinctly unfavorable to the employees.[22] This blow

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[20] Douty, op. cit., p. 154.

[21] Ibid., pp. 156-158.

[22] Ibid., pp. 158-159.

proved to be a coup-de-grace to the United Mine Workers in Alabama. By 1922 the International Association of Iron and Steel Workers had lost its wartime gains, and the Amalgamated Association of Iron and Steel Workers did not recover from the great national strike of 1919 engineered by a National Committee under the leadership of Fitzpatrick and Foster.

The industrial unions thus suffered defeat after defeat. The wartime gains were quickly dissipated. Victory proved ephemeral.

1920-1933. The labor movement was at an all-time peak in 1920 with a membership of 5,047,800. In three short years, however, most of the wartime gains were lost. Membership in 1923 numbered only 3,622,000, a drop of 1,425,800 from the 1920 total.[23] The main losses were in shipbuilding and transportation, which suffered declines in membership of 601,700 and 348,000, respectively.[24] Since these industries had developed in the South to an extent equal to the rest of the United States, relative to population, the labor movement probably declined proportionately as much in the South as elsewhere.

From 1923 to 1929 the labor movement over the nation suffered a slow attrition in numbers -- a loss doubly significant in the light of the rapid expansion of industry. Aggressive employer opposition, welfare capitalism, company unionism, a surplus of skilled labor

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[23] Wolman, op. cit., p. 26.

[24] Ibid., p. 28.

supplied by technological unemployment, the craft nature of American unionism, the stultification of labor leadership, the movement of industry into unionized areas, and the comparatively rapid growth of the nonunionized industries — all these factors combined to explain the slow but sure atrophy of a movement that had been so dynamic only a few years previous.

Actual membership over the nation declined from 3,622,000 in 1923, to 3,442,600 in 1929, to 2,973,000 in 1933. The main losses between 1923 and 1929 were the declines of 258,800 in coal mining, 77,100 in clothing, and 45,700 in metals, machinery, and shipbuilding. Small gains were actually made in building construction and public service.[26] Since the Southern labor movement was relatively strong in building construction, and since employment was relatively large in this industry in the South, it is possible that Southern unionism was more stable than unionism in other parts of the country during the period from 1923 to 1929.

Between 1929 and 1933 the labor movement in the United States fell in strength from a membership of 3,442,600 to a membership of 2,973,000.[27] The decline was chiefly centered in building construction

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[26] Ibid., p. 40.

[27] Ibid., p. 34.

and transportation. Declining employment, of course, was the chief cause of the loss of membership. As the Southern labor movement had a heavy concentration of membership in the building construction and transportation industries, the loss in numbers probably was at least, if not more, severe than in the rest of the nation.

During the period from 1923 to 1933 the Southern labor movement reassumed its prewar form, that is, craft unionism with concentration of strength in the building trades and railroad transportation. Industrial unionism, which had sprung forth in the Southern manufacturing industry during the war, had been repressed by 1923. And the years immediately following 1923 were practically devoid of industrial-union activity. The lull in the activity of the industrial unions, however, was dramatically broken in 1929 when a spectacular series of textile workers strikes broke out spontaneously over the Southern textile states and galvanized the American Federation of Labor into launching the first great Southern organising campaign, directed primarily at the textile industry, but spilling over into other industrial areas.

There were several factors which led up to the 1929 strike wave. In 1922 the American Federation of Full-Fashioned Hosiery Workers began a new wave of organization. This activity led in 1927 to the establishment of the Piedmont Organizing Council under the leadership of Alfred Hoffman of the Hosiery Workers.[28] In 1928,

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[28] Douty, op. cit., pp. 160-161.

moreover, certain Southern delegates to the American Federation of Labor annual convention suggested the launching of an organizing drive in textiles.[29] The suggestion was not implemented at the time, but the explosion of the 1929 strikes, a spontaneous affair dissassociated from preliminary organizing activity by any national union, changed the tenor of American Federation of Labor minds by the time of the next convention.[30]

The strikes of 1929 had been preceded by a decade of very rapid industrial development in the Southern textile industry. The industry in the South was prosperous during most of the decade, although overproduction and contracting markets had begun to pinch prior to the depression of 1929. The workers were collected together in mill towns which had been built by the mill owners. Wages were not high, and the amount of cash remaining to workers after the payment of rent and company store bills was not large. Adequate grievance machinery was also absent, according to reporters sympathetic to the workers' cause. These conditions, probably quite different from those anticipated by the hill people who worked in the mills, contained explosive elements which were ignited when the owners introduced efficiency systems, called the stretch-out by the employees, in the latter years of the decade to meet falling prices and increased competition.

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[29] Ibid., p. 161.

[30] Tom Tippett, When Southern Labor Stirs (New York: Jonathan Cape & Morrison Smith, 1931), p. 173.

The first strike occurred in March, 1929 at the Bemberg-Glanzstoff Rayon Corporation at Elizabethton, Tennessee. It involved some five thousand workers. A few weeks later 1,700 walked out at the Brandon mills in Greenville, South Carolina. At about the same time 1,800 more workers left the mills in Gastonia, North Carolina. Then strike followed strike "until the whole Piedmont section, from Greenville to Elizabethton was dotted with local walk-outs."[31]

American Federation of Labor organizers stepped into the breach opened by the strikes and lent their assistance to the employees. To take advantage of the restiveness indicated by the spontaneous strikes the American Federation of Labor 1929 convention approved a Southern organizing drive. On January 6, 1930, 229 delegates and organizers from twenty-six national unions gathered in conference at Charlotte, North Carolina. Permanent headquarters were established at Birmingham. The American Federation of Labor followed a strategy which stressed union-management cooperation. The drive enjoyed some success. One hundred and twelve new locals were established, eighty-one outside of textiles. But none of the new textile locals was recognized by the employers.[32] The real test of strength came at Danville, Virginia in September, 1930. The earlier strikes at Elizabethton and Greenville had been lost by the United Textile Workers of the American Federation of Labor, and the Communist National Textile Workers Union had been defeated at Gastonia. But

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[31] Ibid., p. 1.

[32] Ibid., p. 177.

in these strikes the United Textile Workers and the American Federation of Labor had stepped into strike situations that had not been carefully planned in advance. At Danville, on the other hand, the strike pattern had been set by the American Federation of Labor. The necessary time for planning had been presented. Upon its success hinged the outcome of the whole "larger campaign" in the South. The strike hung on for some five months before it was victoriously broken by the employers.

Tom Tippett, a close observer of the 1929 textile strikes, well summed up the cause of the strike's failure. It was his view that the American Federation of Labor had:

> "inadequate machinery for this other kind of campaign (a militant one). There was no well-thought-out program, no definite policy, and far too few organizers. There was no systematic publicity bureau, no trained relief administrator, no legal talent permanently maintained, and there was a very pronounced scarcity of money. The field work was not coordinated and there is very little evidence of regular meetings of the Southern committee itself."[33]

> "The union . . . that finally succeeds," according to Tippett, "will have to go whole-heartedly into the colossal undertaking. It will have to have brains, money, patience and understanding. It will have to organize, win and lose strikes, and it will have to develop a method by which it can stay on the field after the first battle is over, and bind up the wounds of its soldiers, so that they will recover with affection for and loyalty to the spiritual ideal of labor unionism. Such a union will have to do much more spade work and lay firm foundations before it starts the actual process of building, because the South will not be organized in a day."[34]

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[33] Ibid., p. 182.

[34] Ibid., p. 172.

It is doubtful if any writer has better summarized from a union viewpoint what was lacking and what was needed in the organisation of the Southern textile industry. Tippet's words applied as well to the other unorganized industries of the South, and they are as true today as they were when they were written in 1931.

The defeat at Danville, the organized resistance of the textile employers, and the gathering depression brought the organizing campaign of 1930 to a halt during the year 1931. In the two years following, organizing activity practically ceased as unemployment reduced the numerical strength of the unions. Inactivity on the industrial relations front was broken only by occasional unorganized revolts against wage cuts.

Thus ended the first major phase of the history of organized labor in the South. The labor movement had succeeded in establishing a hard core of craft unionism concentrated primarily in the building trades and transportation, a notable accomplishment. The movement had failed almost utterly, however, in establishing unionism in the textile, coal, steel, tobacco, clothing, lumber, paper, and furniture industries in the areas of industrial unionism. Spurts of organization had occurred in some or all of these areas around the turn of the century, during the first World War, and during the organizing campaign of 1929 to 1930. But the locals which were established had succeeded only occasionally in securing employer recognition. In striking to compel recognition and collective bargaining, the unions

found themselves weaker than the employers. The return to work on the employers' terms marked the beginning of the end, if not the end, of the local union. This pattern repeated itself time and time again in the area of industrial unionism. Successful collective bargaining had been established soundly only in printing, where the printing trades had been bargaining with local publishers' associations in the larger cities since the turn of the century; in the construction industry, where local building-trades councils had been set up between 1900 and 1920 to bargain with the contractors; and in the railroad industry, principally among the operating brotherhoods, a few years after 1902.[35]

The factors preventing a more rapid growth of the Southern labor movement to 1933 were manifold. They may be partially summarized under the following headings:

(1) a national labor movement which was itself weak — too weak, in fact, to lend needed assistance to the organization of its Southern arm;

(2) a local, state, and national judicary that was not favorably disposed toward the growth of unionism;

(3) protective legislation notable by its absence;

(4) firm employer opposition to unionism, particularly in textiles, one of the South's leading industries after 1920;

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[35] Philip Taft, "Collective Bargaining Before the New Deal," How Collective Bargaining Works (New York: The Twentieth Century Fund, 1942), pp. 881, 883 and 887.

(5) a manufacturing industry that was relatively undeveloped;

(6) a manufacturing industry that was scattered thin over a large geographical area;

(7) a textile industry that was geographically widely scattered and organized on the basis of a large number of small independent firms;

(8) a population that was largely rural, hence unacquainted with unionism and its objectives;

(9) a large surplus of unskilled labor that persisted over the years;

(10) a race problem that remained unsolved.

THE MODERN PERIOD (1933-1948)

The first three of the factors militating against the growth of the Southern labor movement prior to 1930 were rather quickly removed from the contemporary scene after 1932. In that year the Norris-La Guardia Anti-Injunction Act was passed by a Republican Congress. The following year a new Democratic Administration enacted the National Industrial Recovery Act in section 7(a) of which organized labor was given the right to organize and bargain collectively without employer interference. Although not well enforced, Section 7(a), in conjunction with partial economic recovery, rejuvenated the American labor movement. The burst of organization that occurred brought to a head the long-simmering conflict between the "craft-conscious" and "industry-conscious" leaders of the American Federation of Labor and

resulted in the formation of the Committee for Industrial Organization. The energies of the more dynamic element of the American labor movement were released through the new organization, and a vehicle was provided for the organization of the basic industries, which for so long had been impregnable to organizational efforts.

The effect of the foregoing factors on the numerical strength of the labor movement was immediate. From a total of 2,973,000 in 1933 the number of organized laborers over the nation increased to 3,608,000[36] in 1934 and to 8,000,000 in 1938.[37] Increasing employment after 1938 resulting from rearmament was another factor that favored organization. The entry of the United States into the second World War further increased employment and unionization. The War Labor Board automatically granted organized labor "maintenance of membership" in all shops controlled by the latter. Employers, absorbed in production and enjoying high profits, offered little resistance to the spread of unionism. All these favorable forces combined to enable the labor movement to reach an unprecedented strength of fifteen million members[38] by the end of the war.

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[36] Wolman, op. cit., p. 73.

[37] Frank T. de Vyver, unpublished article to appear later in Southern Economic Journal.

[38] Ibid.

The most spectacular gains in the South after 1933 were made by the industrial unions, primarily unions of the Congress of Industrial Organizations, in areas hitherto not permanently organized. The craft unions, however, continued to grow at a steady, if unheralded rate, in fields already partially organized.

By 1938, in building and construction in the South, the United Brotherhood of Carpenters and Joiners of America (AFL)[39] reported a membership of 20,277; the Bricklayers, Masons and Plasterers International Union of America (AFL) 9,036; the International Brotherhood of Electrical Workers (AFL) 7,546; and the United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry (AFL) 2,996.[40]

No membership data were available in 1938 for the Brotherhood of Painters, Decorators, and Paperhangers of America (AFL) or the International Hod-Carriers, Building and Common Laborers Union (AFL).

The craft unions were well entrenched in the transportation and communication industries; and by 1938 several craft unions had attained a strength of membership comparable to their counterparts in building and construction. The largest of these unions was the Brotherhood of Railway, Steamship Clerks, Freight Handlers, Express

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[39] (AFL) is an abbreviation for American Federation of Labor.

[40] See footnote at bottom of Table II for source of union membership figures used in the remainder of this chapter.

and Station Employees (AFL), which claimed a membership of sixteen thousand in 1938. Following closely in size was the Brotherhood of Railroad Trainmen (Ind.)[41] reporting a membership of 15,965. Other unions which had developed significant strength of membership by 1938 were the Brotherhood of Locomotive Firemen and Enginemen (Ind.), 8,815; the Order of Railroad Telegraphers (AFL), 6,690; the Order of Railway Conductors (Ind.), 6,328; and the Amalgamated Association of Street and Electric Railway and Motor Coach Employees of America (AFL), 4,255. No membership data were available for the Brotherhood of Locomotive Engineers or the International Brotherhood of Teamsters, Chauffeurs, Stablemen and Helpers of America (AFL), unions which undoubtedly enjoyed relatively strong and stable memberships by 1938.

Outside of building and construction and transportation and communication, there were few large craft unions. Among these large unions were the International Typographical Union (AFL), the International Printing Pressmen and Assistants' Union of North America (AFL), and the American Federation of Musicians (AFL). The strength of the Typographers and the Printing Pressmen will be discussed at a later point when the growth of unionism in the Southern manufacturing industry is taken up.

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[41] (Ind.) is an abbreviation for Independent.

During the next ten years, 1938 to 1948, the growth of the craft unions was prodigious in the South, in many cases equalling or surpassing the growth of the industrial unions. In the building and construction industry two of the most rapidly growing unions were the Carpenters and Electrical Workers. The former increased its membership from 20,227 in 1938 to 92,827 in 1948, to become the largest union in the South; the latter, from 7,546 in 1938 to 22,657 in 1948, to become the twelfth largest union in the South. The Bricklayers grew more slowly, from 9,036 to 10,895. The Brotherhood of Painters, Decorators, and Paperhangers of America, for which no membership figures were available in 1938, reported a membership of 8,984 in 1948.

The craft unions in transportation and communication likewise experienced a rapid growth during the 1938 to 1948 decade. The Brotherhood of Railway, Steamship Clerks, Freight Handlers, Express and Station Employees expanded its numbers from 16,000 in 1938 to 42,630 in 1948. The Trainmen grew from 15,965 to 29,577; the Locomotive Firemen and Enginemen, from 8,815 to 12,083; the Telegraphers, from 6,690 to 7,614; the Conductors, from 6,328 to 7,406; and the Street and Electric Railway and Motor Coach Employees, from 4,255 to 17,205. The Brotherhood of Locomotive Engineers, for which no data were available in 1938, reported a membership of 8,030 in 1948. Data on the membership of the Teamsters still remained unknown in 1948. The recently organized Brotherhood of Sleeping Car Porters had a membership of 4,048 in 1948. The even more recently established International Association of Air Line Pilots had a membership of 712 in the same year.

The rapid growth of the craft unions in building and construction and transportation and communication carried over to the craft unions in other lines of industry. The Musicians, who expanded from a membership of 4,676 to 11,024, enjoyed the most rapid growth. The growth of the Typographers and the Printing Pressmen will be described in a later section.

The growth of the industrial unions after 1933, for the most part they were the new unions of the Congress of Industrial Organisations, was more spectacular and better documented than the growth of the craft unions. These unions expanded rapidly along with the older industrial unions of the American Federation of Labor. The industrial areas in which these industrial unions put down their roots and grew were coal mining, the maritime trade, communications, and manufacturing. In the manufacturing industry considerable union penetration occurred in textiles, steel and metal trades, food, apparel, paper, tobacco, and rubber. Less extensive penetration in the manufacturing industry occurred in lumber; products of petroleum and coal; stone, clay and glass; and leather and leather products. Since the story of the development and growth of some of these industrial unions was better documented than the development and growth of the craft unions, and since these industrial unions have organised in the field of manufacturing, which is the focus of this study, the history of the industrial unions since 1933 will be developed in somewhat more detail than was the history of the craft unions from that date.

The most important manufacturing industry in the South, as measured by the number of workers employed in 1948, was the textile

industry. This industry employed 568,000 workers[42] in 1946 and was concentrated in North Carolina, Virginia, South Carolina, Georgia, Alabama and Tennessee. Before 1933 the industry had been penetrated but twice by the unions: around the turn of the century and in 1929 and 1930. Both times the unions had been thrown back and out of the industry.

In 1933, after the passage of the National Industrial Recovery Act, the United Textile Workers (AFL) and the American Federation of Hosiery Workers (AFL) began rapidly to organize textile workers in all parts of the country. Differences between management and labor arising out of the writing of a textile code under the National Industrial Recovery Act became irreconcilable in 1934, and on the first of September of that year 174,000 textile workers walked out in a nation-wide strike. The union leadership acceded to government pressure and returned to work. The union gained little from the ultimate settlement of the strike, and its membership rapidly declined.[43]

The second chapter of the story opened in 1937 when the Textile Workers Organizing Committee was set up under the leadership of Sidney Hillman, president of the Amalgamated Clothing Workers. Hillman's union contributed five hundred thousand dollars to the drive, and over the nation more than 450,000 members were enrolled by 1938. This

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[42] See footnote at bottom of Table II for source of employment figures used for the Southern manufacturing industries in the remainder of this chapter.

[43] Herbert Harris, American Labor (New Haven: Yale University Press, 1938), p. 332.

number of workers represented 34 per cent of all the workers in the industry, but only 275,000 of them were working under a collective agreement. Progress was slower in the South under Emil Rieve.[44] The Textile Workers Organizing Committee claimed one hundred thousand workers in the South in 1938. It is doubtful if as high a percentage of the Southern laborers were working under collective agreements as were Northern laborers. By 1941 the Textile Workers Organizing Committee had won elections involving but thirty-two thousand workers in forty-six Southern cotton mills.[45]

The advance continued slow in the South between 1941 and 1946. In the latter year organizational efforts were intensified after the launching of the Southern organizing campaign; and two years later the Textile Workers Union of America (CIO),[46] the successor to the Textile Workers Organizing Committee, claimed 150,000 members, a figure which has been readjusted downward to 89,557 by a more conservative authority. Assuming the latter figure to be the more nearly correct, the Textile Workers Union of America was the second largest union in the South in 1948. The other union in the industry, the old United Textile Workers Union (AFL), was reconstituted in 1939.[47] By 1948 the union had 14,410 members. Together the two unions have a total membership of 103,967, conservatively estimated. This combined membership

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[44] Ibid., p. 338.

[45] Douty, op. cit., p. 170.

[46] (CIO) is an abbreviation for Congress of Industrial Organizations.

[47] Douty, op. cit., p. 171.

constituted but approximately 18 per cent of the workers in the industry, leaving over 465,033 workers unorganized. These workers in 1949 still constituted the great frontier for labor organization in the South.

Coal mining, an extractive industry, is important in the Southern states of Kentucky, Alabama, Virginia, Tennessee and Arkansas. The United Mine Workers (Ind.), the only important union in the industry, reentered the Alabama coal fields in 1933, shortly after the passage of the National Industrial Recovery Act. Organization was extremely successful. By May 26, 1937, the United Mine Workers had contracts with every mine in the state. Tennessee was invaded concurrently, as well as Kentucky. In August, 1948, the obdurate Harlan County operators signed the standard Appalachian agreement.[48]

The United Mine Workers had in the South an estimated membership of 82,200 in 1938. By 1948 the total membership reached 87,500, making the United Mine Workers the third largest union in the South. Since the preceding totals included the membership of the conglomerate District 50, it is likely that the number of coal miners with United Mine Workers' cards actually declined between 1938 and 1948. The decrease in membership was only apparent. By 1938 the United Mine Workers had enrolled practically all workers in the industry. The assumed decline in membership most likely reflects a decline in employment stemming from an improved technology.[49]

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[48] Ibid., p. 167.

[49] de Vyver, unpublished article to appear later in Southern Economic Journal.

There were 218,500 workers in the South in 1946 in what might be termed "heavy industry." They were concentrated in the states of Alabama, Tennessee, Kentucky and Virginia. This industrial field covered, specifically, the iron and steel industry, with an employment of 90,000; the transportation equipment industry, excluding automobiles, with an employment of 58,700; the nonelectrical machinery industry, with an employment of 40,400; and the nonferrous metals industry, with an employment of 29,400.

Before 1933 this broad field of industries was practically untouched by unionism, not only in the South, but also in the rest of the United States. Seven Employee Representative Plans had been put into effect in the steel industry over the nation; and these plans had been quite successful, particularly as a method of settling grievances. When Section 7(a) of the National Industrial Recovery Act became law, the steel companies immediately expanded these plans, to such an extent, in fact, that by the end of 1934, ninety-three of the plans were in effect.[50] In 1935 a rank-and-file revolt occurred among the steel workers, as some of them, and their leaders, tired both of the ineffective organizational efforts of the old Amalgamated Association of Iron and Steel Workers (AFL) and the restrictive confines of the Employee Representation Plans. This revolt of the rank and file coincided in its later stages with the establishment of the Steel

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[50] Brooks, op. cit., p. 79.

Workers Organising Committee, and the latter organization was more easily able, as a result, to bring the workers into its ranks. Its successful organisation campaign culminated on March 2, 1937, when the United States Steel Corporation signed a collective agreement recognising the union and conceding to some of its demands.[51]

This agreement had significance for the South because it covered the employees of the Tennessee Coal and Iron and Railroad Company, the most important company in the Birmingham steel district. Other Alabama companies recognised the union; and during the next decade the United Steel Workers of America (CIO) grew to a strength of 49,651 workers, achieving the status of the fourth largest union in the South in 1948. Approximately 55 per cent of the workers in the iron and steel industry were organized in 1948.

There were other unions in the "heavy-industry" field in the South. The largest of these was the International Association of Machinists (Ind.), a very old union which traced its origins to the South. The Association attained a membership of 16,400 in 1938 in the South and grew until its numbers reached 36,250 in 1948. Three other unions of importance were the Brotherhood of Railway Carmen of America (AFL); the International Molders and Foundry Workers Union of North America (AFL); and the International Association of Bridge, Structural and Ornamental Iron Workers (AFL). By 1938 the Carmen had

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[51] Brooks, op. cit., pp. 75-109.

an estimated 9,496 members in the South, while the Molders and Iron Workers, respectively, claimed thirty-six locals and 2,453 members. The unions had memberships of 20,064 and 13,876, respectively, in 1948.

Together the four important Southern unions in the "heavy-industry" field had a membership of 109,841, or approximately 50 per cent of the labor force in the industry in 1948. Approximately one hundred thousand workers remained unorganized.

There are two minor but related industries in the South which were not included in the foregoing group of industries because no union membership figures were available. These were the electrical machinery and automobile industries. The United Electrical, Radio and Machine Workers of America (CIO) and the International Brotherhood of Electrical Workers (AFL) have organized workers in the former industry, which employs 7,360 workers in the South. The United Automobile Workers of America (CIO) has organized workers in the latter industry, where a total of 8,227 Southern workers are employed.

If the "heavy-industry" group were not counted as a single distinct industry, and it was not by the census classifications, the food industry, with a labor force of 198,800, would have been the second most important manufacturing industry in the South in 1946 on the basis of number of workers employed.

Several unions have organized workers in the industry. The Food, Tobacco, Agricultural and Allied Workers Union of America (CIO), with a membership of 33,900 in the South in 1948, was the largest union in a poorly organized industry. Some of its members, however, were

employed in the tobacco and agricultural industries, which came under a separate census classification, and which are discussed separately at a later point in the chapter. The number of members so employed was not available in 1948. Other unions in the industry in 1948 were the Amalgamated Meat Cutters and Butcher Workmen of North America (AFL), with 16,929 members; the Distillery, Rectifying and Wine Workers International Union of America (AFL), with 5,952 members, all in Kentucky; and the International Union of United Brewery, Flour, Cereal, Soft Drinks and Distillery Workers of America (CIO), with 2,838 members, nearly half of whom were in Louisiana. The Bakery and Confectionery Workers International Union of America (AFL) had an estimated membership of 2,245 workers in 1938, but no figures were available for the union in 1948.

The four important unions in the food industry, for which data were available, had a combined membership of 59,619 in 1948. The total membership of the four unions was but 30 per cent of the total number of workers employed in the industry. Nearly one hundred thousand workers remained unorganized in 1948.

The paper and allied products industry manufacturing pulp, paper, and bags and boxes, primarily, employed sixty thousand workers in the South in 1946. It is an industry which has grown rapidly in the South in recent years.

The three unions in this industrial field organized workers rapidly in the South after 1933. No membership figures were available in 1938; but by 1948 the largest of these unions, the International

Brotherhood of Pulp, Sulphite and Paper Mill Workers (AFL), had a membership of 17,925. Second largest in 1948 was the International Brotherhood of Paper Makers (AFL), a craft union restricting its membership to the more highly skilled. The smallest union in the industry was the United Paper Workers of America (CIO), with a membership in 1948 of 6,936. Combined, the membership of the three unions totaled 34,819, or approximately 58 per cent of the workers in the Southern division of the industry. In Southern manufacturing the extent of organization in this industrial area in 1948 was exceeded only in the tobacco and rubber products industries.

The tobacco industry employed 48,600 workers in the South in 1946. The two great divisions of the industry were the cigarette industry, concentrated in North Carolina, Virginia and Kentucky, and the cigar industry, concentrated in Florida and Virginia.

The Tobacco Workers International Union (AFL) began organizing more actively in the cigarette division of the industry in 1933. The union had enrolled the white workers in the cigarette departments of the American Tobacco Company and the Liggett-Myers Company by 1937. In that year the pace of organization increased, and by the end of the year the union had entered into contracts with Brown and Williamson, Liggett-Myers, the American Tobacco Company, and Philip-Morris.[52] During the next decade the union grew to a membership of 26,831, the

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[52] Douty, op. cit., p. 171.

eleventh largest union in the South in 1948. It had organized approximately 90 per cent of the workers in the cigarette division of the industry by this date.

The Cigar Makers International Union of America (AFL) organized in the cigar division of the industry. By 1948 its membership was 7,349, 5,869 of whom were located in Florida, mostly in the Tampa area. The combined membership of the Cigar Makers and the Tobacco Workers in 1948 was 34,180, or 70 per cent of the workers in the industry, making it the most extensively organized of the Southern manufacturing industries in 1948. The Food, Tobacco, Agricultural and Allied Workers of America (CIO) also organized in this industry, and all of its membership was arbitrarily assigned by this study to the food industry.

There were two other manufacturing industries in the South not included above in which the unions had made significant penetrations by 1948. These were the printing, publishing, and allied industries, and the rubber products industry, employing 47,500 and 14,300 workers, respectively, in 1946.

There were six unions in the former field, the International Typographical Union (AFL), the International Printing Pressmen and Assistants' Union (AFL), the International Brotherhood of Bookbinders (AFL), the International Photo-Engravers Union (AFL), the International Stereotypers and Electrotypers Union (AFL), and the Lithographers International Protective and Beneficial Association.[53] Of these six

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[53] Emily Clark Brown, "Book and Job Printing," How Collective Bargaining Works, op. cit., p. 125.

unions, all predominately craft unions, the Typographers and the Pressmen have a sizable membership in the South. The former in 1948 had 6,568 members in the South, geographically well distributed. The latter published no membership figures but claimed eighty-three locals distributed throughout all of the Southern states. The membership of the Typographers alone constituted 13.8 per cent of all the workers in the industry.

The most important union in the rubber products industry was the United Rubber, Cork, Linoleum and Plastic Workers of America (CIO). This union, organized after 1933, had a membership of 8,347 in the South in 1948. The membership was concentrated in Alabama and Tennessee and constituted 58.4 per cent of a total of 14,300 workers in the industry.

In the lumber and timber basic products, furniture and finished lumber products, chemical and allied products, petroleum and coal, stone, clay and glass, and leather industries, the degree of unionization was comparatively small. Three of these industries, however, were among the South's most important.

In 1946 the lumber and timber basic products, and furniture and finished lumber products industries employed 64,900 and 109,200 workers, respectively, or a combined total of 174,100 workers. Three unions were organizing exclusively in these areas: the International Woodworkers of America (CIO), the United Furniture Workers of America (CIO), and the Upholsterers International Union of North America. The first two of these unions have been organized since 1933.

The largest of the unions mentioned in the last paragraph was the Woodworkers, with a membership of 11,800 in 1948. Much smaller were the Furniture Workers and the Upholsterers, with respective memberships of 6,425 and 3,210. The combined membership of the three unions totalled 21,435, only 12.3 per cent of the workers employed in the industry. This latter figure is a definite understatement, however, for part of the large membership of the carpenters in the South was recruited from the timber basic products, and furniture and finished lumber products industries. There remained, as of 1948, approximately 150,000 unorganized workers in the industry.

The chemicals and allied products, and petroleum and coal products industries employed 126,000 and 22,400 workers, respectively, in the South in 1946. The two main unions in the field, the United Gas, Coke and Chemical Workers of America (CIO) and the Oil Workers International Union (CIO), were both organized after 1933, and had accumulated memberships of 9,090 and 1,713, respectively, by 1948. This membership constituted but 7.0 per cent of the workers in the industry, leaving over 125,000 workers unorganized by national unions.

The stone, clay and glass industries employed 41,300 workers in the South in 1946. Of these, 7,190 were organized in the United Cement, Lime and Gypsum Workers International Union (AFL), a total of 17 per cent of the workers in the industry. The leather and leather products industry during the same year employed an average of 24,300 workers. Only 1,200 of these were organized by the Boot and Shoe Workers Union (AFL), the principal union in the industry organizing

exclusively in this field in the South.

Other Areas of Industrial Unionism. There were few industrial unions of importance outside of extractive and manufacturing industries. The largest of these, the National Maritime Union of America (CIO) and the Communications Workers of America (CIO), possessed memberships of 60,000 and 37,691, respectively, in the South in 1948. Both operated in the field of transportation and communication. The Congress of Industrial Organizations also had two unions in the service industries in the South by 1948, the United Office and Professional Workers Union and the Retail Wholesale and Department Store Union, with respective memberships of 2,000 and 3,458.

In agriculture, the South's greatest industry, there were no unions of great strength by the close of 1948. The only union in the field, excluding the Food, Tobacco, Agricultural and Allied Workers (CIO), which has already been discussed, was the National Farm Labor Union (AFL). This union had been organized as the Southern Tenant Farmers Union in the 1920s in eastern Arkansas but had been practically wiped out and discredited by the Elaine Massacre, one of the worst race riots in Southern history. The union had affiliated with the Food, Tobacco and Agricultural Workers later in the 1930s but withdrew after two years of association. The union was reorganized as the National Farm Labor Union on August 23, 1946, and as of 1948 claimed a membership of thirty thousand in two hundred locals in the South. The union claimed to be interested solely in organizing the workers on large farms, of whom there were estimated to be one million in 1948.[54]

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[54] H. L. Mitchell, "Farm Workers See the Light," American Federationist, Vol. 54, No. 1 (January, 1947), pp. 18-19.

Conclusion. Before the beginning of the great organizing drive in 1946, the American Federation of Labor and the Congress of Industrial Organizations claimed 1,800,000 and 400,000 members, respectively, in the South. As defined by the labor organizations, the South undoubtedly included Texas and Oklahoma, as well as the states which were included in the geographical definition in the footnote to Table I. The passage of legislation limiting the injunction and favoring the establishment of collective bargaining, more favorable judicial attitudes, recovery during the 1930s, the full employment years of World War II, the absence of any concerted opposition by employers, and a friendly War Labor Board, all stimulated and supported the growth and expansion of the labor movement in the South, as well as over the nation. The increasing strength of the labor movement itself contributed to still further expansion, particularly in unorganized regions such as the South. No longer was trade unionism in the South confined to a narrow craft basis. By 1948 it had definitely established itself in the Southern manufacturing industry.

Yet the task of organization in the South was far from complete. Although the industrial unions, in conjunction with a few craft unions, have made relatively greater gains in the Southern manufacturing industry since 1933, than the unions in other industrial sectors, the manufacturing industry remained the great frontier for organization, even at the end of 1948. In the textile industry alone over four hundred thousand workers remained unorganized. Two other large industries, food and lumber and furniture, had close to 150,000 workers

each who were not union members. Over 125,000 workers in the chemical and allied products and petroleum and coal products industries remained outside of the unions. In the heavy industries of the South, steel, machinery, transportation equipment, and nonferrous metals, another block of over one hundred thousand unorganized workers was to be found. Smaller blocks of the unorganized, amounting to over fifty thousand in apparel and to over twenty thousand, respectively, in stone, clay and glass products, paper and allied products, and leather and leather products industries, were to be found in the less important manufacturing industries. All in all, there were probably over one million workers in the Southern manufacturing industry who were outside the union fold at the close of 1948.

Of course, other frontiers of organization existed. The unions have scarcely touched the vast reservoir of the unorganized represented by clerical, government, retail and wholesale, and agricultural workers. The unions, however, have not proven conclusively that these workers can be organized; and it is a good bet that their attempted organization will be preceded by efforts to clean up the large pockets of unorganized workers in the manufacturing industries.

THE SOUTHERN ORGANIZING CAMPAIGNS OF 1946

The preceding section of this chapter dealing with the development of labor organization in the South since 1933 followed a dichotomy between craft and industrial unionism. Special emphasis was placed on the growth and numerical strength of the industrial unions, which, for the most part, have organized the Southern manufacturing industries.

From an institutional point of view the history of the organisation of labor in the South since 1933 has been the history of the struggle by the American Federation of Labor and the Congress of Industrial Organisations to convince Southern workers that their immediate and ultimate interests would be best furthered and protected by joining national unions affiliated with one or the other of the great national federations. In many cases this struggle has been a complementary one; in many other cases it has been a severely competitive one.

The institutional aspect of the organisation of Southern labor has been in particularly clear relief since the inauguration of the campaign drives of the Congress of Industrial Organizations and the American Federation of Labor in 1946.

The first step in the inauguration of the drives was taken by the Congress of Industrial Organisations' Executive Board in February, 1946, when it decided, seemingly on the spur of the moment, to begin at once a Southern organising drive.[55] The Board appointed Van A. Bittner, veteran vice-president of the United Steel Workers of America, as organising director for the Southern campaign. The Board raised approximately $1,250,000 to finance the campaign, funds secured, for the most part, by contributions and pledges by the Congress of Industrial Organisations' stronger

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[55] "Labor Drives South," Fortune, Vol. XXXIV, No. 5 (November, 1946), p. 134.

national unions. Bittner set up a closely knit organising staff in the South, consisting of 200 to 250 organizers working under a dozen state organizing directors. This staff was separate from the permanent regional staff of the Congress of Industrial Organisations in the South, and it was paid by Bittner's office.[56] Such an organization insured centralization of authority and the rapid linear flow of authority, without short-circuiting by autonomous field offices.

The Congress of Industrial Organizations was careful to appoint a high percentage of Southerners as organizers, and it went to considerable pains to win community support, or at least to avoid community antagonism. All Congress of Industrial Organisations' local drives were preceded by special news releases, conversations with civic leaders by special personnel, and assurances to local ministers that "CIO" was not a synonym for Communism and antireligion.[57] But it was not the Congress of Industrial Organisations' policy to soft pedal and move gradually with the actual organization of the workers, or to pick the "soft-touches." Van Bittner's policy was to "drive, drive, drive."[58] He directed organizational efforts at the largest firms in the most union-resistant industries, on the theory that if the leaders were organized there would be little resistance by either the workers or management in the smaller firms.

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[56] Ibid., p. 136.

[57] Ibid., p. 139.

[58] Ibid., p. 136.

It has been maintained that the American Federation of Labor undertook its Southern drive only because the Congress of Industrial Organizations was sponsoring such a venture. Be that as it may, the American Federation of Labor had little choice if it was to protect its long-run interests in the South. The opening gun was fired on May 11 and 12 at the third Biennial Southern Labor Conference of the American Federation of Labor held at Asheville, North Carolina.[59] The drive was placed under the very capable George L. Googe, American Federation of Labor regional director for the South. In contrast with the Congress of Industrial Organizations' drive, the American Federation of Labor campaign was carried out by the permanent Southern organizations, mainly the individual national unions in the South. The general American Federation of Labor policy was also quite different from that of the Congress of Industrial Organizations. The American Federation of Labor toned down the militancy of its organizational efforts, referring to the drive as a mere "intensification of effort." Neither did the Federation concentrate the preponderance of its strength on the organization of new locals in hitherto unorganized industries. It was content to pick on the "soft-touches," to increase the membership of old locals, or to organize new locals in industries where the unions already had a foothold. The whole philosophy of the American Federation of Labor

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[59] George L. Googe, "The Southern Drive," American Federationist, Vol. 53, No. 11 (November, 1946), p. 32.

leadership was well summed up in the words of George Googe when he said, "Like Brer Rabbit in Uncle Remus, we lay low."[60]

The drives did not "catch on" as some of the labor leaders had hoped. The organizers faced a rather placid labor force, and organization had to be "worked at." In 1946 the only spontaneous reactions came among the Negro workers in the leaf tobacco houses of North Carolina, and the lumber workers of Southern Mississippi. In both cases, wages of forty to fifty cents an hour were being paid.[61] By November, 1946, it was estimated that the Congress of Industrial Organizations had picked up fifty thousand to sixty thousand members, and the American Federation of Labor approximately 150,000 new members.

The campaigns continued at full blast into the next year, until checked by the passage of the Taft-Hartley Act. Most of all the Act was a great psychological blow. Defeatism replaced optimism in labor ranks; optimism replaced defeatism in the ranks of opposing employers. The national leadership of the unions became absorbed in attacks on the new "slave-labor" bill. The Southern organizing drive was given secondary consideration. The state legislatures were operating under the same popular pressures as Congress, and they also enacted little "Taft-Hartley" statutes at the state level. By January, 1948, six Southern states, Arkansas, Georgia, North Carolina, Tennessee, Texas, and Virginia had enacted

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[60] "Labor Drives South," Fortune, op. cit., p. 136.

[61] Ibid., p. 234.

laws limiting in various degrees the extent of union security that could be secured through collective agreement.[62] In addition, there were more or less automatic checks which impeded new organizational efforts. As the number of new locals grew, the organizers and the national union representatives had to spend more of their time servicing the new groups. Servicing became doubly important under the Taft-Hartley Act, for a new provision in this law gave the employer power to petition for decertification elections. Still another obstacle to rapid organization was the failure of some of the national unions to redeem their pledges of financial aid, forcing the Southern drive to operate on a "shoe-string" from time to time.[63]

Nevertheless organizational efforts continued with some success. By January, 1948, the Congress of Industrial Organizations was claiming four hundred thousand new members and eight hundred new locals; while the American Federation of Labor reported an increase in membership of several hundred thousand. During the ensuing years organization successes were more infrequent. The drives seemed to have simmered down to a more normal level of organizing activity. By the end of the year Congress of Industrial Organizations' claims were only fifty thousand more than they were

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[62] CIO News, Vol. II, No. 2 (January 12, 1948), p. 12.

[63] Conversation with CIO official.

at the beginning. The American Federation of Labor still published no specific figures on its new membership gains. Its drive was formally closed in July; but, of course, the move had little real significance; for the national unions, who were, for the most part, doing the American Federation of Labor organizing, did not change the pace of their organizational work.

The stunning results of the November elections, however, created a new atmosphere for organization. The Congress of Industrial Organizations at its National Convention in Portland, Oregon increased its monthly per capita tax from five to eight cents per month and earmarked two of the three cent increase for financing its "Operation Dixie." It further called for a meeting of its two hundred Southern organizers at Atlanta on the eighth and ninth of January to reintensify the zeal for organization.[64] The American Federation of Labor took no formal moves to reinstate its Southern drive. In a more secure position it seemed content to let Southern organization continue at its own pace.

What the future will bring is a question involving so many unknown yet interdependent variables that prediction would be the height of folly. Even if one could predict the course of the business cycle, the future pattern of legislation regulating collective bargaining, the skill and determination with which organization will be pursued by the union leadership, and the attitude of workers and employers, one would have difficulty in piecing together a true picture of the future.

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[64] "CIO Cracks Solid South," Business Week, No. 1007 (December 18, 1948), p. 105.

Yet it is worthwhile to look into the future on the basis of certain assumptions, which may or may not be true.

It seems reasonable to assume that the federations, particularly the Congress of Industrial Organizations, will relentlessly pursue the organization of Southern labor. The Congress of Industrial Organizations has too much at stake: the protection of its northern locals in such industries as textiles, clothing, chemicals, and furniture; the elimination of deficit financing for its Southern operations; and the elimination of conservative Southern Senators and Congressmen. These Senators and Congressmen in alliance with conservative forces in the Republican Party form an overhanging threat to the very existence of a national labor movement. The American Federation of Labor is in a less precarious position, except politically, for it is better entrenched in the South in industries which do not compete in a national market, as, for example, the construction industry. The American Federation of Labor is undoubtedly self-sufficient in the South; yet, it must remain alert against the advance of the Congress of Industrial Organizations. Important gains by that organization accompanied by good contracts for the workers could lead to a rapid shift of workers into the Congress of Industrial Organizations. So it would seem that both labor organizations will be thoroughly dedicated to the task of extending organization, at least through the construction, transportation and communication, extractive, and manufacturing industries.

What sort of national legislation will regulate the institution of collective bargaining? In the light of labor's present political strength and the general temper of public opinion, it seems reasonable to assume that the Taft-Hartley Act will probably represent an upper limit in respect to the degree of regulation that will be imposed upon the unions in their organising and bargaining activities. And the Taft-Hartley Act does not raise an insuperable barrier to organization. All of the basic guarantees of the Wagner Act are retained.

In the light of the two foregoing assumptions the most reasonable conclusion seems to be that the organization of Southern labor will proceed further. But available evidence and the unique characteristics of the Southern environment seem to indicate that the pace of organisation will be relatively slow, much slower than many anticipate; and that the complete organization of the construction, transportation, extractive and manufacturing industries, particularly the latter, is not a foregone conclusion.

The best empirical evidence available is the very history of the organization of Southern labor which has been related in the preceding pages. It is a history which showed a very slow progress for organization, marked by defeats almost as frequently as by victories. It indicated that there were many forces operating in opposition to the organization of Southern labor that were more or less inherent in, and peculiar to, the South.

The result of certification elections held by the National Labor Relations Board in the South since the passage of the Taft-Hartley Act constitute the most recent evidence of the difficulty of organizing

Southern labor. Between August 22, 1947, and September 30, 1948, the unions won but 167 elections and lost 82. The American Federation of Labor won eighty-four of the elections; the Congress of Industrial Organizations, sixty-seven; the unaffiliated union, fifteen; and individual unions, one. In all these elections only 19,636 votes were cast for the unions.[65] In certain states during the August 22, 1947 to September 30, 1948 period the picture was particularly somber. The Rubber Workers won the only Congress of Industrial Organizations' victory in Alabama. The Textile Workers won none and lost one election in North Carolina. There were only five elections and three union victories in South Carolina.[66]

The campaign in textiles, the alleged key to final victory, has not gone too well, either. The great Cannon mill and the immense Avondale chain, the keys within the key, have withstood the organizational efforts of the Congress of Industrial Organizations and its Textile Workers Union.

The reasons why the Congress of Industrial Organizations and the American Federation of Labor have not added a million members, respectively, to their rolls since the inception of the great organizing drives are not too hard to find. Some of the obstacles to organization were unique to the current period. The passage of the Taft-Hartley Act and the swing of public opinion against organized labor in the two to

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[65] de Vyver, unpublished article to appear later in Southern Economic Journal.

[66] Ibid.

three years following the end of the war dulled the zeal for organization, diverted efforts to the political front, and encouraged employer opposition. The high level of Southern prosperity gave Southern workers higher wages and living standards than they had ever had before, and dulled their appetites for unions and for organization. Open-shop employers could match the union contracts for their workers, or go them one better, in the sellers market that prevailed.

In addition, many of the old obstacles to organization still remained. The textile industry remained geographically scattered in hundreds of independently-owned plants, many with their own contiguous mill-owned town. The lumber industry's operations were even more far-flung with many workers employed in small "peckerwood" sawmills in relatively inaccessible places. The Southern worker still remained comparatively inert and indifferent to organization. Southern employers, though less adamant than before the New Deal, for the most part, still detested and fought trade unionism tooth and nail.

On the other hand, the South was becoming more highly industrialized. Its population was concentrating to a larger extent in urban areas, and its surplus of unskilled labor had been drained off, to some extent, by the wartime period of full employment.

In conclusion, the most reasonable estimate of the future of the Southern labor movement is that its growth will probably continue, but that the new growth will be slow. Neither should it be assumed that the growth of the labor movement in the South is inevitable. That growth can be guaranteed only by a determined union leadership with something of value to offer Southern workers. Tom Tippett's

prophecy of nearly twenty year ago still sums up the situation very well. As he said: "The South will not be organized in a day."[67]

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[67] Tippett, op. cit., p. 172.

TABLE I. UNION MEMBERSHIP IN THE SOUTH, OCTOBER, 1938 AND 1948.[66]

Industry and Union	Membership 1938	1948
I. Mining and Extractive		
United Mine Workers of America (Ind.)	82,200	87,500
Oil Workers International Union (CIO)	....	1,713
Federation of Glass, Ceramic, and Silica Sand Workers of America (CIO)	....	979
II. Manufacturing - Durable Goods		
United Steelworkers of America (CIO)	....	49,651
International Association of Machinists (Ind.)	16,400	36,250
Brotherhood of Railway Carmen of America (AFL)	9,496	20,064
International Molders and Foundry Workers Union of North America (AFL)	36 locals	13,876
United Gas, Coke, and Chemical Workers of America (CIO)		9,090
United Cement, Lime, and Gypsum Workers International Union (AFL)		7,190
United Furniture Workers of America (CIO)	2,900	6,425
Industrial Union of Marine and Shipbuilding Workers of America (CIO)	2,100	....
United Automobile Workers (CIO)		42 contracts
International Brotherhood of Blacksmiths, Drop Forgers and Helpers (AFL)		8 plants
International Association of Bridge, Structural and Ornamental Iron Workers (AFL)	2,453	....
Amalgamated Association of Iron, Steel, and Tin Workers	36 locals 23 contracts	
III. Manufacturing - Non-Durable Goods		
Textile Workers Union of America (CIO)	100,000	89,557
Food, Tobacco, Agricultural and Allied Workers Union of America (CIO)		33,900
Tobacco Workers International Union (AFL)		26,831
Amalgamated Clothing Workers (CIO)	4,500	20,375
Industry and Union		
International Brotherhood of Pulp Sulphite and Paper Mill Workers (AFL)		17,925
Amalgamated Meat Cutters and Butcher Workmen of North America (AFL)		16,929
United Textile Workers (AFL)		14,410

TABLE I. (continued)

International Ladies Garment Workers Union (AFL)	68	11,096
International Brotherhood of Paper Makers (AFL)		9,958
American Federation of Hosiery Workers (Ind.)		8,722
United Rubber, Cork, Linoleum, Plastic Workers of America (CIO)		8,347
Cigar Makers International Union of America (AFL)		7,349
United Paper Workers of America (CIO)		6,936
International Typographical Union (AFL)	4,832	6,568
Upholsterers International Union of North America (AFL)		3,210
International Union of United Brewery, Flour, Cereal, Soft Drinks and Distillery Workers of America (CIO)	2,175	2,838
Boot and Shoe Workers Union (AFL)		1,200
Bakery and Confectionery Workers International Union of America (AFL)	2,245	....
International Printing Pressmen and Assistants' Union of North America (AFL)	67 locals	83 locals
United Garment Workers of America (AFL)	10 shops	
IV. Building and Construction		
United Brotherhood of Carpenters and Joiners of America (AFL)	20,277	92,827
International Brotherhood of Electrical Workers (AFL)	7,546	22,657
Bricklayers, Masons, and Plasterer's International Union of America (AFL)	9,036	10,895
Brotherhood of Painters, Decorators and Paperhangers of America (AFL)	....	8,984
United Association of Jouneymen, Plumbers and Steam Fitters (AFL)	2,996	....
V. Transportation and Communication		
National Maritime Union of America (CIO)	30,000	60,000
Brotherhood of Railway, Steamship Clerks, Freight Handlers, Express and Station Employees (AFL)	16,000	42,630
Communication Workers of America		37,691
Brotherhood of Railroad Trainmen (Ind.)	15,965	29,577
Amalgamated Association of Street and Electric Railway and Motor Coach Employees of America (AFL)	4,255	17,205
Brotherhood of Locomotive Firemen and Enginemen (Ind.)	8,815	12,083

TABLE I. (Continued)

Brotherhood of Locomotive Engineers (Ind.)		8,030
The Order of Railroad Telegraphers (AFL)	6,690	7,614
Order of Railway Conductors (Ind.)	6,328	7,406
Brotherhood of Sleeping Car Porters (AFL)		4,048
International Association of Air Line Pilots (AFL)		712
United Transport Service Employees of America (CIO)		9 locals
VI. Service		
American Federation of Musicians (AFL)	4,676	11,024
Hotel and Restaurant Employees and Bartenders International Union (AFL)	....	5,899
International Association of Fire Fighters (AFL)	....	4,786
Laundry Workers International Union (AFL)	....	4,710
Retail, Wholesale and Department Store Union (CIO)	....	3,458
International Alliance of Theatrical Stage Employees and Moving Machine Operators of U. S. and Canada (AFL)	....	3,265
United Office and Professional Workers Union (CIO)	....	2,000
American Newspaper Guild (CIO)	391	451

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[66] The membership figures presented in this table are taken from tables appearing in Professor Frank T. de Vyver's articles, "The Present Status of the Labor Unions in the South," appearing in the April, 1939 and April, 1949 issues of the Southern Economic Journal. Professor de Vyver's figures cover membership in the Southern states of Virginia, North Carolina, South Carolina, Florida, Georgia, Alabama, Kentucky, Tennessee, Mississippi, Louisiana and Arkansas. The list of the unions is not exhaustive, but it includes nearly all of the large unions in the South in 1948 except the Teamsters and Hod Carriers.

TABLE II. EMPLOYMENT AND UNION MEMBERSHIP IN SOUTHERN MANUFACTURING INDUSTRIES IN RECENT YEARS[67]

	Industry and Union	Employment in 1946, including Texas and Oklahoma	Employment in 1946, excluding Texas and Oklahoma	Union membership in 1948, excluding Texas and Oklahoma	Percent of Workers Organized
1.	Textile-mill products and other fiber manufactures	578,300	568,900	103,967	18.3
	Textile Workers Union of America (CIO)			89,557	
	United Textile Workers (AFL)			14,410	
2.	Heavy industries	297,200	218,500	109,841	50.3
	Iron and steel and their products	108,000	90,000		
	Transportation equipment except autos	83,900	58,700		
	Machinery except electrical	66,100	40,400		
	Nonferrous metals and their products	39,200	29,400		
	United Steelworkers of America (CIO)			49,651	
	Int'l Assoc. of Machinists (Ind.)			36,250	
	Brotherhood of Railway Carmen of America (AFL)			20,064	
	Union of North America Int'l Molders and Foundry Workers (AFL)			13,876	
3.	Food	276,400	198,800	59,619	30.0
	Food, Tobacco, Agricultural and Allied Workers Union of Am. (CIO)			33,900	
	Amalgamated Meat Cutters and Butcher Workmen of North America (AFL)			16,929	

TABLE II. (Continued)

Distillery, Rectifying and Wine Workers Int'l Union of America (AFL)			5,952	
Int'l Union of United Brewery, Flour, Cereal, Soft Drinks and Distillery Workers of America (CIO)			2,838	
4. Lumber and timber basic products and furniture and finished lumber products	218,800	174,100	21,435	12.3
International Woodworkers of America (CIO)			11,800	
United Furniture Workers of America (CIO)			6,425	
Upholster's Int'l Union of North America (AFL)			3,210	
5. Chemicals and petroleum and coal Products	223,400	148,400	10,803	7.3
Chemicals and Allied products	153,400	126,000		
Products of Petroleum and Coal	70,000	22,400		
United Gas, Coke and Chemical Workers of America (CIO)			9,090	
Oil Workers Int'l Union (CIO)			1,713	
6. Apparel and other finished textile products	129,400	105,000	40,193	38.3
Amalgamated Clothing Workers of America (CIO)			20,375	
Int'l Ladies Garment Workers Union (AFL)			11,096	
American Federation of Hosiery Workers (Ind.)			8,722	

TABLE II. (Continued)

7. Printing, publishing and allied industries	67,000	47,500	6,568	13.8
Int'l Typographical Union (AFL)			6,568	
Int'l Printing Pressmen and Assistants' Union of N. A. (AFL)			83 locals	
8. Paper and allied products	64,700	60,000	34,819	58.0
Int'l Brotherhood of Pulp, Sulphite and Paper Mill Workers (AFL)			17,925	
Int'l Brotherhood of Paper Makers (AFL)			9,958	
United Paper Workers of America (CIO)			6,936	
9. Stone, clay and glass products	56,600	41,300	7,190	17.4
United Cement, Lime and Gypsum Workers Int'l Union (AFL)			7,190	
10. Tobacco manufacturers	49,200	48,600	34,180	70.3
Tobacco Workers Int'l Union (AFL)			26,831	
Cigar Makers Int'l Union of America (AFL)			7,349	
11. Leather and leather products	27,000	24,300	1,200	4.9
Boot and Shoe Workers Union (AFL)			1,200	

TABLE II. (Continued)

12. Rubber products	15,900	14,300	8,347	58.4
United Rubber, Cork, Linoleum and Plastic Workers of America (CIO)			8,347	

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67 It was impossible to secure employment figures later than for 1946, hence the discrepancy in the years for which employment and union membership figures were given. The employment figures can be found in Bulletin 898 of the Bureau of Labor Statistics, p. 31. Since these employment figures included Texas and Oklahoma in addition to the 11 states which Professor de Vyver's membership figures come, it was necessary to adjust the Bureau of Labor Statistics' employment figures by subtracting employment figures in Texas and Oklahoma for the same industries. The employment figures used for the adjustment were obtained from the 1948 Blue Book of Southern Progress, pp. 32-39. No pretension of exactness is claimed for the figures giving the percent of workers unorganized in the various industrial groupings. They only show the ratio between the membership of the unions listed and the total employment offered by the industries listed. Both the employment and membership figures are probably low. The former are low because employment increased between 1946 and 1948. The latter are low because the membership of several small unions were not included. Another inexactness in the percent-of-workers-unorganized figures is the classification of unions by industry groups. The Food, Tobacco, Agricultural and Allied Workers of America (CIO), for example, has membership in two manufacturing industries, food and tobacco, and in agriculture. Since a breakdown of membership by industry was not available all the workers of this union were classified as food workers.

CHAPTER II

THE UNIONS' CASE FOR ORGANIZING SOUTHERN LABOR

Why do the national unions have a special interest in organizing the South? What advantages do the unions claim organization will bring? What incentives to the workers are especially stressed? Toward what specific objectives will the unions strive? What arguments are the unions using to win the approval of public opinion? These are the general kinds of questions which this chapter attempts to answer. For the most part, they are questions the answers to which have broad social and economic implications. The central interest of this study will, in fact, deal with one of the broad issues arising out of the objectives of trade unionism in the South.

No better source for the answers to the above questions can be found than the official publications of the national unions themselves. For this reason direct quotations from official union publications have been used to supply the answers. No critical appraisal of the union point of view is made by the writer in this chapter.

One of the compelling reasons stimulating the national unions, particulary the Congress of Industrial Organizations, to push with perseverance the organization of Southern labor is the increased security which will be afforded to union locals in the North, East, and West. Professor Leo Wolman gave the historical cue to the need

for such security when he stated:

> "American trade unions have long faced great difficulties in establishing themselves in competitive industries in which business can shift quickly from one part of the country to another. Many times in the history of labor organizations, unionization of a plant or industrial area has been speedily followed by marked shifts in the localization of industry, by the rise thereafter of unorganized localities, and by the eventual decline of the unionized ones. The whole course of unionism in the manufacturing industries confirms this observation with surprisingly few exceptions. The extent and variety of the continental area of the United States has afforded employers innumerable opportunities to achieve flexibility in costs and operating conditions by moving to new locations and then utilizing hitherto unused supplies of labor."[1]

The Congress of Industrial Organizations boldly admits that protection to non-Southern locals is one of the important reasons for organizing Southern labor as rapidly as possible. Allan L. Swim, reporter for the CIO News," wrote on June 7, 1948: "They (Van A. Bittner and his associates in the Southern organizing drive) know that CIO unions in the North, East and West will remain insecure until the South is solidly organized. They know that real wage gains of unionists throughout the nation will be limited as long as a North-South pay-rate differential exists."[2]

That an unorganized South is a potential threat to Northern locals in many industries is not a figment of the imagination of the

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[1] Leo Wolman, Ebb and Flow in Trade Unionism (New York: National Bureau of Economic Research, 1936), p. 16.

[2] Allan L. Swim, "Operation Dixie Affects the Nation," The CIO News, Vol. 11, No. 20 (May 17, 1948), p. 4.

Congress of Industrial Organizations' leadership. Northern politicians and business men are also aware of the danger that exists to prevailing regional industry locational patterns from the existence of wide geographical differentials in the national wage structure. Governor Chester Bowles of Connecticut, attested to this awareness when he made the suggestion before the 94th quarterly meeting of the New England Council, a manufacturers' association, that a $500,000 fund be raised to organize Southern labor in order to protect Northern industries.[3]

But, of course, the unions have not appealed to the Southern workers on the fraternal basis of protecting the wage standards of their northern brothers. Their appeal has been the direct one of raising the level of wages and working conditions in the South. This appeal has both its negative and positive aspects. Negatively, the unions have deplored the "curse of cheap labor." Positively, they have extolled the advantages of higher wages, not only to labor, but to other economic groups in the community as well. Needless to say, the unions maintained that they are the most indispensible agency to the attainment of higher wages.

William Green of the American Federation of Labor has well stated the negative case. In June, 1946, he gave the following argument:

> "For too many years the South has suffered under the economic curse of cheap labor. Cheap labor means substandard labor, unorganized labor. Cheap labor lacks consumer buying power. Cheap labor results in economic stagnation and industrial paralysis. Any country where cheap labor exists is

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[3] "Aid Unions Drive in South, Is Bowles' Advice to North," The Times Picayune, 113th year, No. 53 (March 19, 1949), p. 1.

> a backward country. China, India and Mexico are convincing examples."[4]

Solomon Barkin, a high official of the Congress of Industrial Organizations, has spoken in the same vein:

> "Low wages make for substandard citizens in both industry and in the community. Low income workers suffer from malnutrition, from excessive illness and from inadequate medical care. Their life span is shorter than that of their higher-paid brothers; they cannot enjoy educational opportunities as other segments of the community; they are condemned to poor housing; often they become part of a baronial company community not unreminiscent of feudalism."[5]

But what has been the cause of the low level of Southern wages? According to the unions the principal cause of low wages in the South was and is "exploitation." This explanatory theme has been played upon chiefly by the Congress of Industrial Organizations:

> "Northern companies," the Congress of Industrial Organizations says, "have paid low wages to southern employees and have drained wealth from the South . . . The net result has been a vicious cycle of poverty in the South."[6]

At another point in the same article it was maintained that:

> "Southern employers can, and some do, pay wages as high as those in the North and still make profits. There is a great need to put an end to chiseling. The Southern manufacturer who tries to hide behind a low wage scale

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[4] William L. Green, "Southern Drive Is Launched," American Federationist, Vol. 53, No. 6 (June, 1946), p. 6.

[5] Gloria Coplan, "Its the Same H-C-L in Dixie," The CIO News, Vol. 10, No. 27 (July 7, 1947), p. 2.

[6] CIO, Economic Outlook, Vol. VII, No. 5 (May, 1946).

> is not only chiseling on his workers; he is also chiseling on the employers who try to pay fair wages; and he is chiseling on the entire community."[7]

In a later article appearing in the CIO News Gloria Coplan, taking her cue from the testimony of the Congress of Industrial Organizations leaders, Dickison and Barkin, before the House Labor and Education Committee, wrote:

> "Low wages are the product of underpayment and discrimination. For practically every job that is rated less than 65¢ by one employer, there are other employers who rate the same job more than 65¢. One employer is thus able to increase his profits - not by more efficient management - but by squeezing it out of his workers . . . In lumbering for instance, as testimony submitted by Fadling indicated, workers in the Southern Pine region average about 40 to 50¢ an hour. Identical work in the Pacific Coast Douglas Fir region pays $1.32. Productivity of one group is no less than that of the other; the lumber is sold at about the same price. What does it mean? The southern employer, taking advantage of unorganized - or newly organized - labor and of a ridiculously low wage floor - 40¢ - is able to get the jump on his western competitor."[8]

The Congress of Industrial Organizations does not credit lower efficiency or lower living costs as having any influence on the differential between Southern wages and wages in other regions of the country. The Congress of Industrial Organizations' Economic Outlook editorialized without equivocation in May, 1946 that,

> "The notion that southern workers are not as efficient as workers elsewhere or that a lower cost of living in the South makes it "practical" to pay lower wages, can't stand up under examination."[9]

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[7] Ibid.

[8] Coplan, op. cit., p. 2.

[9] Economic Outlook, op. cit.

Miss Emily Dickison in testifying before the House Labor and Education Committee adamantly said:

> "But there is no such thing as regional differences in the cost of living. Now you take a Southern worker. His alarm goes off at 5 o'clock in the morning. Do you think he paid less for that clock than the worker in the North? Of course not; chances are he paid more, because it was probably made in Connecticut."[10]

On the positive side the unions have chiefly appealed to the Southern workers by holding forth the inducement of higher wages. The increased purchasing power stemming from higher wages, the unions maintain, will bring general prosperity and higher incomes for nearly all economic classes in the South. The Congress of Industrial Organizations' Economic Outlook in May, 1946, challengingly said:

> "But no mere statistics or pious hopes will end low wages. Southern workers must do the job themselves, by joining powerful nation-wide unions which reject the idea that workers in one section of the country must be doomed to live on a lower level than their fellows elsewhere."[11]

The same idea is expressed in the April issue of the American Federationist by George L. Googe, who reported that:

> "The American Federation of Labor in the South has been working hard to bring Southern economic standards up to the level of other sections of the country, and the scores of new contracts represent a gargantuan stride toward this basic objective."[12]

In a later article in the Federationist the same thought was expressed in a stronger fashion:

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[10] Coplan, op. cit., p. 2.

[11] Economic Outlook, op. cit.

[12] George L. Googe, "Rolling Forward in Dixie," American Federationist, Vol. 53, No. 5 (May, 1946), p. 7.

> "Therefore we are determined to raise wages in the South. The American standard of living must be the standard for the entire nation, not for certain favored geographical areas. We don't want high wages in the North and lower differentials in the South. The American standard of living is the only standard of living which the AFL will accept in the South."[13]

The unions in their appeal for membership have connected higher wage rates with higher purchasing power for goods and services in order to attract the support of employers and professional people in the field of distribution and personal service. As the American Federationist put it:

> "The organizing drive of the American Federation of Labor in the South will bring benefits not only to the workers who up to now remain unorganized. It will also be a mighty boon to the merchants and other businessmen of the South. For when increased purchasing power is put into the hands of the workers who are now underpaid, it will become possible for hundreds of thousands of Americans to become customers for goods they never before could afford."[14]

The Congress of Industrial Organizations also has played upon this important theme quite frequently in its appeal to other economic interest groups in the community. The Congress of Industrial Organizations' Economic Outlook agreed in May, 1946 that:

> "Higher wages in the South will mean more jobs, more outlets for investment, the development of varied farming, such as truck and dairy, more services."[15]

> "Today," the Economic Outlook continued, "there is . . . growing recognition on the part of southern small business

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[13] Green, op. cit., p. 7, (Underscoring added).

[14] "Southern Organizing Push Opens This Month," American Federationist, Vol. 53, No. 5 (May, 1946), p. 7.

[15] Economic Outlook, op. cit.

> men and the white collar and professional classes that the establishment of collective bargaining and higher wage rates helps the entire community."[16]

The unions have promised more than higher wages and higher community and regional incomes. Part of these advantages lies in the economic area surrounding the job; the other part lies in the increased political power accruing to the labor through organization. According to the Congress of Industrial Organizations, for example:

> "Winning an N.L.R.B. election and negotiating the first collective bargaining agreements is just the beginning for the CIO. Grievances, wage adjustments, individual problems, receive the unions day to day attention."[17]

On the broader community and political front the Congress of Industrial Organizations maintains that:

> "In the South, too, CIO unions are changing the political picture. Gains inside the plant have led to gains in community respect. As workers have learned that foremen cannot push them around inside the plant, they have been more inclined to use their civil rights in the community. In many company towns, the company's stranglehold is now giving way to a new civil and political liberty. . . In all parts of the nation, workers have found that political influence comes only as the people have their own economic organization to give them a voice and to give them strength."[18]

Finally the unions see themselves as institutions which are indispensable to the insurance of democracy in an economy characterized by large-scale production and a high degree of organization among other

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[16] Ibid.

[17] Ibid.

[18] Ibid.

functional economic groups. The idea was clearly expressed by the Congress of Industrial Organizations:

> "This campaign to build strong unions in all parts of the nation,"

said the Congress of Industrial Organizations' Economic Outlook of May, 1946,:

> "is a necessary link in the preservation of freedom in modern society. It isn't something that concerns labor alone, for experience has shown that a strong labor movement is a necessary part of democracy."[19]

The foregoing statements from official union publications are not necessarily statements of scientific truth. They are largely assertions made without supporting factual substantiation. They are the fighting propoganda, the ideology, of a modern institution seeking to secure and expand its position in our economic life.

The specific objectives of the trade unions in the South which are the special concern of this study will be considered independently in Chapter V. Before moving on to their consideration, attention will be given a statement of the main objections that have been raised against the movement of trade unionism into the Southern economy. Having considered these objections, the stage setting will have been completed; and it will be possible to proceed directly to the analysis of the central problem of the study.

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[19] Ibid.

CHAPTER III

SOME OBJECTIONS TO TRADE UNIONISM IN THE SOUTH

There are many who view the encroachment of trade unionism upon the Southern region with alarm. They do not look upon the unions as harbingers of higher real wages, higher employment, and higher real incomes. These people view the unions as dangerous institutions that might undermine freedom, exploit other economic groups, or cause unemployment and lower incomes, except for privileged groups of workers.

It is the purpose of this chapter to look briefly into some of these objections. The procedure, as in Chapter II, is to let the opponents of trade unionism in the South state their own case in their own words. No attempt is made to evaluate critically the opinions stated. Three major objections are considered. First, the trade unions are revolutionary agencies closely akin to Communism. Secondly, the movement of organized labor into the South is but another step in the more thorough establishment of vast labor monopolies. Thirdly, the unions, pursuing the elimination of the Southern wage differentials will interfere with industrial development in the South, and the "rational" allocation of economic resources.

The editorials of the Manufacturers Record, a privately published periodical sold primarily to Southern manufacturers, furnishes many expressions of the idea that the unions are essentially revolu-

tionary agencies closely akin to communism in their objectives. An editorial of the Manufacturers Record states:

> "Diametrically opposed to every democratic principle and insidiously dangerous to all free institutions, trade unions as now organized should have no place in American life.
>
> Trade unionism and communism both spring from the same false conception of society. They both originate in the erroneous Marxism idea that society is based on classes of people rather than composed of individuals, free to exercise, each according to his own rights, the God-given talents with which they may be endowed. These two isms glorify the group into which they submerge the individual, and substitute class warfare for individual competition.
>
> Trade unions are no more satisfied to stop at company lines than is communism content to limit its scope to national boundaries. Both like to consider themselves 'international', and both spread their tentacles to likely companies or countries by infiltration, mis-statements of facts, extravagant promises, and, where their minority is strong enough, by coercion and violence."[1]

The second major objection to be considered is that organization of the South represents but another step in the establishment of vast labor monopolies, bargaining on an industry-wide, or nationwide basis. Leo Wolman in his recent pamphlet on Industry-Wide Bargaining states the thesis well, although he was referring to the encroachment of the unions generally, rather than in the South specifically. He writes:

> "National unions, therefore, which are fixing the wage costs of the country in a large and increasing proportion of its industry are dealing with the major element in total business costs. To the extent that these unions pursue monopolistic policies, they over-shadow any private business monopolies with which this country

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1 "Sisters Under the Skin," Manufacturers Record, Vol. 117, No. 6 (June 2, 1948).

has yet had experience. The several hundred national unions of the contemporary American labor movement can, if they adhere to the traditional policy of taking labor out of competition, effectively monopolize the labor market for the major economic activities of the United States. And taking labor out of competition will amount in time to taking business out of competition."[2]

Referring to industry-wide bargaining, Wolman continues:

"This form of bargaining has been going on for only a few years, but it has already had far-reaching effects on the wage structure of the country. In the steel and automobile industries long-standing wage differentials in favor of plants situated in small towns and rural communities and of small and new businesses have been eliminated. Companies of this type now pay as much or more than is paid in large, urban industrial centers. They may not yet have been forced to make the multiplicity of concessions on "fringe" issues which have been granted by the great corporations. But the process of attrition is inexorable and the lag between regions and type of business is steadily narrowing."[3]

Moving to the consequences of "labor monopolies" and industry-wide bargaining, Wolman concludes:

"Like all monopolies, labor monopolies do not adjust easily to changing conditions. Policies, once decided, are hard to revise. The very notion of stability to which monopoly is usually attached and which appears to be the cornerstone of monopolistic economic policy is a risky guide of conduct, especially in unstable times. The price paid for protecting certain standards of prices, wages, or work rules may well add instability to the whole enterprise. When an employer cannot reduce costs, he may have to close down altogether, or at least dismiss a large part of his labor force. When this happens to many employers at the same time, the result is mass unemployment and depression. What is likely to happen in prevailing labor relations is that at the first sign of trouble, adherence to established standards of wages and working conditions will prove more stubborn than ever. For the maintenance of previously won standards is the credo of the labor movement in general and of national unions

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[2] Leo Wolman, Industry-Wide Bargaining (Irvington-On-Hudson: The Foundation for Economic Education, 1948), p. 33.

[3] Ibid., p. 35.

> in particular. Thus, instead of achieving the stability they desire, the national unions through their policies face the risk of prolonging the processes of adjustment and correction, postponing the date of recovery, and exposing their members to longer and more serious spells of unemployment than they would otherwise experience."[4]

The third objection to be considered is that unionization of the South will lead to an elimination of the Southern wage differentials and will complicate, or even stymie, the normal process of industrial development in the South. Professor John V. Van Sickle clearly states this position in his Planning for the South:

> "To insist upon the payment of the same money wage for identical work in communities of very different sizes, in the face of very appreciable differences in living costs, is to insist that workers, in low living cost areas shall receive a higher real wage than those in high living cost areas. The resulting equilibrium is unstable. Conceivably the differential might induce labor to migrate toward the low cost communities. This would force employers in the high cost communities to raise money wages till real wages had been equalized.
>
> The mere fact that industries located in low cost areas are able to pay higher wages does not justify the imposition of a minimum money wage equal to that in high cost areas (or by implication the elimination of a wage differential). The function of the "excessive" profits enjoyed by these plants is to induce further expansion there rather than in high cost areas. There is no exploitation of labor as long as the locally prevailing rate of wages is being paid. To eliminate the excessive profits by transferring them to the laborers attached to these plants is to destroy one of the important functions of profits. Their elimination prevents a desirable expansion of production, forces consumer to pay more than would otherwise be necessary, and freezes the industrial location pattern in favor of high cost areas. If these excessive profits do not lead to plant expansion, monopoly may be presumed."[5]

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[4] Ibid., p. 38.

[5] John V. Van Sickle, Planning for the South (Nashville: Vanderbilt University Press, 1943), pp. 189-190.

> ... "To the average labor leader and to the man-on-the-street it seems self-evident that workers doing similar work are entitled to equal pay regardless of where the work is performed. If a dollar an hour is a fair wage in Detroit then it is also a fair wage in a competitive industry in Alcoa, Tennessee. In reality, the proposition is by no means self-evident. Unless there is a large element of labor monopoly in the situation, the dollar an hour in Detroit reflects the concentration of capital there and the abundance of alternative opportunities for labor. An employer has to pay very close to that rate to prevent other employers from raiding him. Conversely, in a rural area, where the industial tradition is lacking, where labor is abundant but unskilled, and where alternative opportunities are few and poorly rewarded, the Detroit scale of wages is unnecessary to secure labor, and to require it would strangle competitive industrial developments in their infancy. Uniform rates of pay, enforced by nationally organized collective bargaining, are as unsound economically as uniform rates imposed by legislative fiat."[6]

The three objections stated in this chapter to the extension of trade unionism in the South, if they are interpreted in their fullest and most general sense, cover most of the detailed criticisms which are made of the unions in their drive into the South. This study is not at all concerned with the first objection and only indirectly with the second objection, although both objections are of importance if they are valid. The third objection, however, is subjected to thorough analysis.

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[6] Ibid., p. 192.

CHAPTER IV

THE IMPACT OF TRADE UNIONISM ON THE WAGE STRUCTURE OF SELECTED SOUTHERN MANUFACTURING INDUSTRIES

INTRODUCTION

The purpose of this chapter is to measure the impact of trade unionism on the wage structure of selected Southern manufacturing industries. The problem is approached in three ways.

First, the differentials in wages[1] between union and nonunion workers are computed for selected manufacturing industries in the Southeast, the Southwest, and the United States. Following this computation three different comparisons are made between the differentials in union and nonunion wages and the per cent of unionization in each selected industry. The comparisons are made to measure the extent of the relationship of the union to nonunion wage differentials with the per cent of unionization. The first of the comparisons is between the union-nonunion wage ratio and the per cent of unionization in each selected industry in the Southeast. The second of the comparisons is between union-nonunion wage ratio, and the per cent of unionization in each selected industry in the United States. The third of the comparisons

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[1] In this chapter and the succeeding one, the term "wages," when used independently of a specific statistical study, will refer to "wage rates." When used in connection with a specific statistical study, the term "wages" will be given a definition specific to the study.

is between the difference in the union-nonunion wage differentials in the Southeast and the United States, and the difference in the per cent of unionisation in the Southeast and the United States, in each selected industry.

Two other comparisons complete this section of the chapter. The first of these comparisons relates the union-nonunion wage differentials to the wage differentials among workers in cities of different size, and plants of different size, in selected industries in the Southeast. The second of these comparisons relates average straight-time hourly earnings for all workers to average straight-time hourly earnings for union workers, nonunion workers, workers in cities of different size, and workers in plants of different size, in selected industries in the Southeast. These two comparions are made to show the extent of wage differentials on bases other than unionization, and to raise the question if union-nonunion differentials overlap with differentials on the basis of city-size and plant-size.

Secondly, the differentials in wages between workers in the Southeast, the Southwest, and the United States are computed for selected manufacturing industries, and are compared. Following this computation and comparison, the regional differentials in wages in the Southeast are compared, first, with the per cent of unionization in the respective selected industries in the Southeast, and second, with the percentage-point differences in the per cent of unionization in the respective selected industries between the United States and the Southeast. The purpose of the comparisons is to measure the degree of relationship between the Southeastern wage differentials and differences in the degree

of unionization. No such comparisons are made for the Southwest on account of the small number of industries in the Southwest for which data were available.

After the above comparisons are presented, the Southeastern wage differentials are compared with the union-nonunion wage differentials in the Southeast, and with the percentage-point differences in the size of the union-nonunion wage differentials in the Southeast and the United States.

Thirdly, the trends in regional differentials in wages between the South and the United States are traced; and the influence of trade unionism in the South on this trend is estimated.

The practical and theoretical implications of the foregoing statistical measurements and comparisons are brought out in the discussions of the results of each of the measurements and comparisons.

NATURE AND SOURCE OF WAGE DATA

The two chief sources of the basic wage data used in this chapter to measure the impact of trade unionism on the wage structure of selected Southern manufacturing industries are the Wage Structure bulletins of the Bureau of Labor Statistics of the United States Department of Labor, and the Census of Manufactures of 1919, 1929, and 1939, of the Bureau of the Census.

The basic data on wage differentials between union and nonunion workers, workers in plants of different size, workers in cities of different size, and workers in different regions and in the United States, as well as data on the per cent of unionization among workers,

were taken from the Wage Structure bulletins of the Bureau of Labor Statistics. The basic data from which the figures showing trends in wage differentials were worked up, came from the Census of Manufactures of 1919, 1929, and 1939.

The Wage Structure bulletins were published as part of the Industry Wage Studies Program of the Bureau of Labor Statistics. The Wage Structure series is largely a tabular presentation of statistical data showing on a nationwide basis the various elements that influence variations in wages, such as region, size of establishment, size of community, incentive methods of pay, and occupational composition of each industry surveyed. The written analyses which accompany the tabular presentation are brief and general. In many of the industries surveyed two additional bulletins were published. The other types of bulletins are the Occupational Wage Relationship bulletins, dealing primarily with the nationwide aspects of wages, and a series of locality tabulations, also known as Occupational Wage Relationship bulletins, but published under a different serial number.

Wage Structure bulletins have been published for over sixty different important national industries, chiefly manufacturing industries. This study has been limited in all of its analyses of union-nonunion wage differentials, and in some of its analyses of regional wage differentials, to the industries surveyed in these bulletins; for much of the wage data presented in these bulletins had never before been collected on a national, industry-wide basis. There were, in addition, three further restrictions placed upon the selection of industries made

in certain of the analyses of this study. First, only manufacturing industries, with the exception of coal mining, were chosen. Secondly, only manufacturing industries in which there were one thousand employees, or more, in the Southeast, or the Southwest,[2] were selected. Thirdly, only manufacturing industries for which union and nonunion wages and the number of union and nonunion workers were given for the Southeast could be used in certain of the analyses.

All comparisons in the two succeeding sections of the chapter deal with three geographical areas: the Southeast, the Southwest, and the United States. The Southeast, as defined in the Wage Structure bulletins, consists of the states of Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, and Tennessee. The Southwest, as defined in the Wage Structure bulletins, consists of the states of Arkansas, Louisiana, Oklahoma, and Texas. The United States, as defined in the Wage Structure bulletins, consists of all the forty-eight states. It would have been better from a comparative viewpoint to have excluded the Southeast and the Southwest from the United States totals, but the operation was statistically impossible.

The Wage Structure bulletins do not give industry totals of wage data for the different regions, except in the case of average straight-time hourly earnings. The data on union and nonunion membership, wages for plants of different size, and wages for communities of different size are given by individual occupations. In some cases data are given

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[2] The Southwest and the Southeast are geographically defined in the succeeding paragraph.

for over a hundred occupations, and in a few cases for as few as twenty or thirty occupations. For many occupations complete regional data are not available.

To have secured aggregate data for all occupations for which data were available would have been a task far beyond the limits of this study. As a result, a sample of occupations from each industry was chosen at random, and the data on these selected occupations were aggregated. In no industry were less than five occupations selected; in no industry were more than twelve occupations chosen. The number of occupations selected varied because the actual number of occupations in the industry varied. The number of occupations selected was not increased proportionally as the number of occupations increased.

The random selection of occupations was modified in one significant respect. If, for example, the occupation selected did not yield data for at least the United States and the Southeast, the next closest occupation in the tabular array was chosen. The result of this method of selection definitely biased the selection of occupations in favor of those which were most common to all regions, and which tended to have the largest number of workers. In a few instances the number of occupations dropped below five in the final tables because complete data for all regions were not available for a larger number of occupations.

The Wage Structure bulletins express wages in terms of average straight-time hourly earnings, computed by dividing straight-time earnings by the number of straight-time hours worked. Overtime

earnings, incentive earnings, and cost-of-living bonuses are included as part of the workers regular pay; but nonincentive payments such as Christmas bonuses are excluded.

The Wage Structure bulletins exclude administrative, executive and professional employees. The data for selected occupations, chosen for their numerical importance, exclude inexperienced workers, apprentices, and handicapped workers.

The Wage Structure bulletins classify all establishments as union if more than one-half of their workers are employed under terms of union agreements. All workers in unionized establishments are counted as union workers even though they may not be union members, or may not be covered by the union agreement.

The basic wage data used to show the trend in the wage differentials between the South and the rest of the United States from 1919 to 1939 are taken from the Census of Manufactures of 1919, 1929, and 1947.

The data are for selected manufacturing industries only. Unfortunately, because of incompatibilities between census classifications and the classifications used in the Wage Structure surveys, the manufacturing industries selected to show trends in the Southern wage differentials are not the same industries selected by the Wage Structure surveys.

The census industry classifications for the manufacturing industry did not fit the Wage Structure surveys' industry classifications with exactness; and, from the point of view of this study, the selection of industries in the Wage Structure surveys was largely arbitrary. For

these two reasons, it was decided that industry classifications to show trends in regional wage differentials would be selected which would represent the most important industries in the South, as measured by the number of wage earners employed.

It would have been possible to have worked up tabulations for all Census industry classifications. There were over three hundred and fifty of these in 1939, however; and the processing of data for thirteen Southern states was beyond the limits of this chapter. An arbitrary compromise between the possible and the practicable was effected. A listing of all Census manufacturing classifications in which there were at least one thousand workers in at least one Southern state in 1937 was drawn up. This listing included fifty-five industry classifications. In fourteen of these fifty-five classifications only one Southern state had as many as one thousand workers. These fourteen industry classifications were excluded to reduce the bulk of material that had to be processed. In addition, the confectionery industry, with over one thousand workers in two states, and the nonalcholic beverages industry, with over one thousand workers in three states, were excluded for similar reasons. There remained thirty-eight major industry classifications in the field of manufacturing for which data was collected. There were 778,384 workers, or 44.7 per cent of all the workers in the Southern manufacturing industry, employed in these industry classifications in 1939.

Wage data for the selected industries were collected for thirteen Southern states. The states were Alabama, Arkansas, Florida, Georgia,

Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia. This latter grouping of states to serve as the Southern region differs from the division of the Southern region into the Southeast and the Southwest in the two preceding sections of the chapter. The change in regional grouping was made, not only because the consolidation of the two regions increased the ease with which statistical presentation and analysis could be made, but also because the consolidation unified two areas, the wage structures of which are quite closely related. As the industry classifications were incompatible, there was no important reason for continuing the two-fold division of the Southern region.

The United States, as the term is used in the two sections of this chapter that deal with wage differentials between union and nonunion wages and wage differentials between the Southeast and the Southwest and the United States, included all forty-eight states. The inclusion of all states tended to understate differences in wages and union membership, especially where the Southeast and/or Southwest held a large part of the aggregate national industry. This difficulty was circumvented in the processing of the census data by substracting Southern aggregates from the aggregates for the United States. The rest of the United States, therefore, as the term is used in the section of the chapter tracing trends in the Southern wage differentials, includes the thirty-five non-Southern states.

The trends of the Southern wage differentials in the selected manufacturing industries are based upon comparisons of aggregate annual

earnings per worker in the South and in the United States. The annual wage figures are derived by dividing annual total wages in the industry by annual average employment.

DIFFERENTIALS IN UNION AND NONUNION WAGES IN THE SOUTHEAST, THE SOUTHWEST, AND THE UNITED STATES

Selected industries, number of workers employed, and number of workers sampled. Table III lists the manufacturing industries covered by the recent wage structure surveys of the Bureau of Labor Statistics for which wage and union membership data have been worked up and presented in this section and the following section of this chapter. The number of industries totals thirty-six. The industries employ 3,756,493 workers in the United States, 778,384 workers in the Southeast, and 107,676 workers in the Southwest.

The industries, as measured by number of workers employed, varied greatly in size, both in the United States and the Southeast and Southwest. By far the largest industry covered in the Southeast was the cotton textile industry which employed 348,000 workers. The next largest industries in the Southeast were the seamless hosiery industry, employing 38,875 workers, the rayon and silk mill industry, employing 35,100 workers, and the wood furniture industry, employing 28,300 workers. One other industry hired over twenty thousand workers; eight industries hired between ten and twenty thousand workers; seven industries hired between five and ten thousand workers; fourteen industries hired fewer than five thousand workers. No figures on the

TABLE III. NUMBER OF WORKERS IN SELECTED INDUSTRIES AND NUMBER OF WORKERS IN ESTABLISHMENTS IN SELECTED INDUSTRIES COVERED BY THE WAGE STRUCTURE SURVEYS OF THE BUREAU OF LABOR STATISTICS IN THE UNITED STATES, THE SOUTHEAST, AND THE SOUTHWEST

	United States			Southeast			Southwest		
Industry	Total in Industry	Total in Sample	Percent in Sample	Total in Industry	Total in Sample	Percent in Sample	Total in Industry	Total in Sample	Percent in Sample
Bakeries	155,500	66,937	43.0	15,100	7,891	52.3	10,900	4,776	43.8
Candy and Chocolate	55,150	31,551	57.2	5,025	2,865	57.0	2,100	1,198	57.0
Cigarettes	—	30,275	—	—	15,875	—	—	—	—
Cigars	44,750	30,345	67.8	16,575	7,936	47.9	1,425	1,425	100.0
Corrugated Fiber Box	31,069	22,133	71.2	2,400	2,149	89.5	1,225	1,225	100.0
Cotton Textiles	436,900	179,100	41.0	348,000	119,100	34.2	13,200	7,200	54.5
Cotton Work Pants	35,581	24,629	69.2	12,300	9,365	76.1	7,500	5,126	68.3
Cotton Work Shirts	15,600	8,296	53.2	8,900	4,813	54.1	1,000	328	32.8
Dress Shirts and Nightwear	56,300	29,858	53.0	10,100	5,557	55.0	50	—	—
Drugs and Medicine	55,550	38,760	69.8	2,520	1,660	65.9	250	250	100.0
Fabricated Structural Steel	47,240	23,577	49.9	4,570	3,383	74.0	3,360	2,447	72.8

TABLE III. (Continued)

Folding Paper Box	25,732	18,601	72.3	1,400	901	64.4	1,014	1,014	100.0
Footwear	175,900	100,029	56.9	8,700	7,001	80.5	---	---	---
Foundries	303,650	161,200	53.1	3,400	2,900	85.3	4,900	3,800	77.6
Full-Fashioned Hosiery	59,025	32,975	55.9	23,400	11,725	50.1	250	250	100.0
Glassware	78,400	57,618	73.5	1,500	850	56.7	2,750	2,461	89.5
Industrial Chemicals	95,040	63,340	66.6	2,050	1,050	51.2	9,100	6,700	73.6
Machinery	1,033,000	495,000	47.9	16,000	12,000	75.0	20,000	17,000	85.0
Meat Products except Big Four	78,673	37,446	47.6	5,144	2,459	47.8	4,123	2,162	52.4
Overalls and Industrial Garments	21,050	14,824	70.4	4,600	3,749	81.5	850	843	99.2
Paints and Varnishes	33,482	19,589	58.5	919	456	49.6	597	597	100.0
Paperboard Mills	36,457	29,493	80.9	7,550	6,033	79.9	2,136	2,136	100.0
Power Boilers	44,439	35,273	79.4	4,600	4,189	91.1	2,800	2,499	89.3
Pulp and Paper Mills	119,937	84,083	70.1	13,375	10,790	80.7	10,287	10,287	100.0
Rayon and Silk Mills	82,700	57,791	69.9	35,100	23,426	66.7	---	---	---

TABLE III. (Continued)

Seamless Hosiery	54,000	31,275	57.9	38,875	18,975	48.8	—	—	—
Set-up Box	24,359	14,097	57.9	1,100	785	71.4	154	154	100.0
Sheet Metal	30,950	20,067	65.0	3,375	3,286	97.4	1,975	1,474	74.6
Stove and Range	48,500	33,100	68.2	5,750	4,350	75.7	—	—	—
Structural Clay Products	41,480	23,679	57.1	5,080	3,001	59.1	1,880	1,637	87.1
Tobacco and Snuff	7,216	6,682	92.6	2,225	1,691	76.0	—	—	—
Textile Dyeing and Finishing	66,375	37,704	56.8	18,900	11,540	61.1	—	—	—
Women's & Misses' Dresses	139,105	53,311	38.3	1,775	1,423	80.2	—	—	—
Wood Furniture	105,075	67,668	64.4	28,300	19,694	69.6	3,850	3,562	92.5
Woolen and Worsted Mills	166,908	92,756	55.6	12,100	5,927	49.0	—	—	—

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

total number of workers employed in the cigarette industry were given. The number of workers employed in the industry must have equaled at least 15,875, however, for this number of workers was employed in the establishments sampled by the Wage Structure survey.

The per cent of workers in the United States in industries covered by the Wage Structure samples constituted from 38.3 per cent of all workers in the women's and misses' dress industry to 92.6 per cent in the tobacco and snuff industry in the Southeast. The per cent of workers sampled in each industry varied greatly because of differences in the willingness or unwillingness of those concerned to return questionnaires, and of a conscious policy of reducing the number of firms in the sample for industries with large numbers of workers.

The largest industry covered in the Southwest was the machinery industry, which employed twenty thousand workers. Three industries -- the cotton textile industry, the bakery industry, and the pulp and paper mill industry -- hired between ten and twenty thousand workers; two industries hired between five and ten thousand workers; and twenty industries hired less than five thousand workers. The small number of workers employed in the selected industries in the Southwest reflected a correspondingly small number of firms, so small a number of firms in the case of many industries that figures could not be published. As a result, data for the Southwest on an occupational basis were very scanty; and comparisons were confined in many cases to the United States and the Southeast.

The number of workers sampled in each industry varied from 38.3

per cent in the women's and misses' dress industry to 92.6 per cent in the tobacco and snuff industry.

Differentials in union and nonunion average straight-time hourly earnings in the United States, the Southeast, and the Southwest. In Table IX the differentials between union and non-union average straight-time hourly earnings in selected occupations in twenty selected manufacturing industries in the Southeast, the United States and the Southwest are shown. The differential by which union hourly earnings in the Southeast exceeded nonunion hourly earnings varied from a minus 5.3 per cent in the candy and chocolate industry to 34.1 per cent in the sheet metal industry. Three other industries in the Southeast — the paperboard, the women's and misses' dress, and the cigar industries — paid union workers from 21.8 per cent to 24.4 per cent more than they paid nonunion workers. Five additional industries in the Southeast — the meat products except the Big Four,[3] the corrugated and fiber box, the fabricated structural steel, the bakery and the ferrous foundry industries — paid union workers from 16.7 per cent to 18.6 per cent more than nonunion workers. Five industries in the Southeast — the seamless hosiery, structural clay products, textile dyeing and finishing, knitwear, and dress shirts and nightwear industries — paid union workers from 6.4 per cent to 9.9 per cent more than nonunion workers. Five industries in the Southeast — the woolen and worsted textiles, cotton textiles, full-fashioned hosiery, cotton wash pants, and wood furniture industries — paid union workers from 4.4 per cent more to 3.9 per cent less than nonunion workers.

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[3] The term "Big Four" refers to the four largest meatpacking companies in the industry.

TABLE IV. DIFFERENTIALS IN AVERAGE STRAIGHT-TIME HOURLY EARNINGS BETWEEN UNION AND NONUNION WORKERS IN SELECTED OCCUPATIONS IN SELECTED INDUSTRIES IN THE SOUTHEAST, THE UNITED STATES, AND THE SOUTHWEST

Industry	Number of Occupations	Per Cent by Which Union Exceeds Non-Union Average Straight-Time Hourly Earnings		
		Southeast	United States	Southwest
Sheet Metal	3	34.1	21.0	---
Paperboard	3	24.4	16.3	---
Women's and Misses' Dresses	5	22.2	45.3	---
Cigars	6	21.8	11.8	---
Meat Products except Big Four	5	18.6	45.9	12.9
Corrugated and Fiber Box	4	17.9	16.5	---
Fabricated Structural Steel	6	17.6	4.6	4.0
Bakeries	6	16.8	30.6	28.0
Ferrous Foundries	4	16.7	5.6	---
Dress Shirts and Nightwear	5	9.9	23.1	---
Structural Clay Products	4	7.8	17.9	---
Knitwear	6	7.3	15.2	---
Textile Dyeing and Finishing	6	7.3	14.2	---
Seamless Hosiery		6.4	5.8	---
Woolen and Worsted Textiles	8	4.4	6.4	---
Cotton Textiles	10	3.8	7.9	---

TABLE IV. (Continued)

Full-Fashioned Hosiery	6	0.5	11.6	---
Cotton Wash Pants	5	0.0	12.7	3.8
Wood Furniture	7	-3.9	16.6	---
Candy and Chocolate	4	-5.3	-0.3	---

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

It should be noted that eight out of the ten industries in the last two groups of industries are textile or allied industries.

The differential by which union hourly earnings exceeded nonunion hourly earnings varied in the United States from a minus 0.3 per cent in the candy and chocolate industry to 45.9 per cent in the meat products (except Big Four) industry. Almost as large was the differential of 45.3 per cent between union and nonunion workers reported in the women's and misses' dress industry in the United States. Three industries in the United States paid union workers from 21.0 per cent to 30.6 per cent more than nonunion workers. Nine industries in the United States paid union workers from 11.6 per cent to 17.9 per cent more than nonunion workers; and five industries in the United States paid union workers from 4.6 per cent to 7.9 per cent more than nonunion workers. Only the candy and chocolate industry in the United States paid nonunion workers more than union workers.

Data were available for only four industries in the Southwest. The union workers were paid more than nonunion workers in all four industries. In two industries -- the meat products, except Big Four, and the bakery industries -- the differentials were 12.9 per cent and 28.0 per cent, respectively. In two industries -- the fabricated structural steel and the cotton work pants industries -- the differentials were only 4.0 per cent and 3.8 per cent, respectively.

What are the theoretical and practical implications of the foregoing comparison of union and nonunion average straight-time hourly earnings? Are the empirical data fully in accord with deductive expecta-

tions?

On the surface, at least, the differentials in average straight-time hourly earnings between union and nonunion workers, and the diversity in the differentials among the several selected industries, are not in accord with strict marginal productivity theory. According to orthodox theory, the wage rate and earnings in exactly similar occupations where workers are of exactly the same grade and skill should not vary. Employers hire labor until the value of the product of the marginal unit of labor is equal to the prevailing wage rate. Differentials in wage rates in the same labor market or among labor markets are adjusted, at least theoretically, by the movement of workers in the short-run, or by the movement of industry in the long-run. At any given time, of course, slight differentials are bound to appear, but the differentials should certainly not exhibit the range shown in Table IV.

If experience does not fully accord with theory, what factors account for the discrepancy between experience and theory?

The first possibility that should be explored is that occupational classification and the skill of union and nonunion workers might have differed. The chance that the occupational classification of union and nonunion workers in the Wage Structure surveys would have underclassed union workers and/or overclassed nonunion workers in all firms and in all industries is not likely. Any errors should have been distributed at random.

The chance that the union workers might have been more skilled than the nonunion workers in the same occupations seems more plausible.

Some unions require that certain standards of performance be met by their members before they are admitted to membership. The unions may have organized plants that had paid higher wages and had built up labor forces that were relatively more highly skilled than the labor forces in unorganized plants. Working under union shop conditions may have raised the skill and productivity of the union workers above that of nonunion workers. Indeed, there may be grounds for the existence of wage differentials between union and nonunion workers arising out of differences in skill; but this factor alone seems hardly sufficient to explain extremely large differentials, or the great diversity in the size of the differentials. To the extent that wage differentials are due to differences in skill between union and nonunion workers, orthodox theory is flexible enough to explain the differentials.

Another factor that can be advanced to explain the differentials between union and nonunion wages is that the union workers might have been employed in larger plants where they had the advantage of using a greater quantity and a better quality of capital equipment per worker. Although the actual existence or nonexistence of wage differentials between workers in plants of different sizes will be examined at a later point in this chapter, the question can be taken up, at least theoretically, at this point. To say that wages should differ from plant to plant, depending upon plant size is to overlook two very important factors. First, part of the assumed increase in worker productivity must go to the increased capital factor. Secondly, the employer should have to pay no more, or only slightly more, than the

prevailing wage rate to secure the necessary labor force for his plant. Accordingly, the employer with the relatively more efficient large plant should reap an economic profit so long as relatively less efficient smaller plants break even; for the higher costs of production of the smaller plants must be covered if they are to continue in operation. The concentration of union workers in larger plants with more and better capital equipment does not necessarily guarantee, therefore, that union workers will receive more than the prevailing market wage. If they do, it is probably because of unionization, or labor immobility, and not plant size, except indirectly. If workers in such large plants are able to secure wages higher than the rates that prevail in the labor market generally the assumptions of competition and labor mobility of orthodox theory must be removed in order for theory to accord with fact.

A fourth factor that can be advanced to explain the differentials between union and nonunion wages is that the union workers might have been concentrated in the larger cities, where living costs were relatively high and job opportunities relatively numerous; while nonunion workers might have been concentrated in the smaller cities, where living costs were relatively low and job opportunities relatively few. To the extent that living costs are higher in larger cities, and lower in smaller cities, union workers will tend to receive higher wages than nonunion workers if they are found in relatively greater number in the larger cities than are nonunion workers. Presumably, such a differential would have to be offered by employers in the larger cities to hold their labor forces. Differentials based on the factor of lower living costs,

therefore, contradict orthodox theory.

If wages are higher in larger cities than in smaller cities, because of a relatively greater abundance of job opportunities, wage rates could be expected to be higher for a time in the larger cities. In the long-run, however, labor mobility and capital movement should produce equality in wage rates. If present differentials between union and nonunion workers stemming from differences in job opportunities are transient, there is no disagreement with orthodox theory. If differentials between union and nonunion workers stemming from this cause persist, the assumption of labor mobility sufficient to create wage equality for labor of the same grade and skill must be removed for theory to accord with fact.

A fifth factor that can be advanced to explain the differentials between union and nonunion wages is that union workers have secured higher wages by increasing their bargaining power through organization. Such higher wages must come from one or two sources. First, the higher wages might have come from monopoly profits secured either through the employer's monopolistic position in the product market,[4] or his formerly monopolistic position in the labor market. Secondly, the higher wages might have come from other factor returns, if the employer operated in both a competitive product market and a competitive labor market. The higher wages could prevail in the long-run if they came from monopolistic profits. If they came from other factor returns, however,

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[4] This situation would be an example of the union cutting itself in on the employer's exploitation of the consumer, or cooperating with the employer in such exploitation.

employment would tend to be reduced to the point where the value of the product of the marginal worker would equal the prevailing wage. If adjustment was not possible through this avenue, capital would tend not to be reinvested in the industry for employers would seek out investment opportunities where the rate of interest was higher. Higher real wages for all workers would, therefore, be impossible if higher money wages for the organized workers came from other factor returns.

In conclusion, the differentials in straight-time average hourly earnings between union and nonunion workers might have arisen from the following factors: (1) differences in skill between union and nonunion workers, (2) the concentration of union workers in larger cities, (3) the greater bargaining power of union workers resulting from organization and collective action, and (4) the concentration of union workers in larger, more efficient plants where the workers through organization could appropriate a portion of economic profits. It should be made clear that the above factors are hypotheses used to provide a basis for deductive reasoning. No data have been brought forward to prove that one or all of the hypotheses constitute an explanation of union to nonunion wage differentials, although later tabular presentations and analyses included in this chapter will throw some light on the concentration of union workers in the larger cities and in the larger plants. All of these points will have to be intensively investigated before a definitive explanation of differentials in union and nonunion wages can be given. The extent, and the diversity in the extent, of the union to nonunion wage differentials would seem to

point, however, to a pluralistic explanation.

Differentials in average straight time hourly earnings between union and nonunion workers compared with the per cent of unionization in selected occupations in selected industries, in the Southeast. In Table V the differentials in average straight-time hourly earnings between union and nonunion workers is compared with the per cent of unionization in selected occupations, in selected industries, in the Southeast. A distinct relationship between the extent of the union-nonunion wage differential and the per cent of unionization in each industry is indicated in Table V. The relationship is not perfect to the extent that the per cent of unionization declines, *pari passu*, with the decline in the differential between union and nonunion wages. The correlation definitely appears, however, when the nine industries with a union-nonunion wage differential of from 16.7 per cent to 34.1 per cent are compared with the eleven industries with a union-nonunion wage differential of from minus 5.3 per cent to 9.9 per cent. The per cent of unionization among the nine industries with a union-nonunion wage differential of 16.7 per cent to 34.1 per cent falls below thirty per cent in but one industry, the bakery industry, where the per cent of unionization was 27.3 per cent. In contrast, among the eleven industries with a union to nonunion wage differential of from minus 5.3 per cent to 9.9 per cent, no single industry has a work force which is unionized to the extent of forty per cent. The per cent of unionization among these eleven industries rises above thirty per cent only in the case of two industries, textile dyeing and finishing and cotton

TABLE V. DIFFERENTIALS IN AVERAGE STRAIGHT-TIME HOURLY EARNINGS BETWEEN UNION AND NONUNION WORKERS IN SELECTED OCCUPATIONS, IN SELECTED INDUSTRIES, IN THE SOUTHEAST (COMPARED WITH THE PER CENT OF UNIONIZATION AMONG ALL WORKERS IN THE SELECTED INDUSTRIES

Industry	Number of Occupations	Union-Nonunion Wage Differential	Percent of Unionization
Sheet Metal	3	34.1	54.2
Paperboard	3	24.4	87.2
Women's and Misses' Dresses	5	22.2	52.5
Cigars	6	21.8	64.6
Meat Products except Big Four	5	18.6	47.4
Corrugated and Fiber Box	4	17.9	55.1
Fabricated Structural Steel	6	17.6	56.3
Bakeries	6	16.8	27.3
Ferrous Foundries	4	16.7	45.6
Dress Shirts and Nightwear	5	9.9	21.4
Knitwear	6	7.3	28.8
Textile Dyeing and Finishing	6	7.3	33.4
Structural Clay Products	4	7.8	28.5
Seamless Hosiery		6.4	11.5
Woolen and Worsted Textiles	8	4.4	11.1
Cotton Textiles	10	3.8	30.5
Full-Fashioned Hosiery	6	0.5	17.7
Cotton Work Pants	5	0.0	21.4
Wood Furniture	7	-3.9	17.3
Candy and Chocolate	4	-5.3	20.1

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

textiles; while it falls below twenty per cent in the case of four industries, the hosiery, wood furniture, seamless hosiery, and woolen and worsted textiles industries.

The preceding analysis, indicating that the union to nonunion wage differentials vary directly with the degree of unionization, would tend to strengthen the idea that the differentials between union and nonunion average straight-time hourly earnings were attributable to the bargaining power of organized labor, rather than to differences in the skill of union and nonunion workers, or to the relatively heavier concentration of union workers in plants of larger size, or in cities of larger size. The possibility exists, however, that as unionization increased, the union workers, as a group, became less typical of the nonunion workers, as a group, when the groups were compared on the basis of their respective distribution by city-size and plant-size classifications.

Differentials in average straight-time hourly earnings between union and nonunion workers compared with the per cent of unionization in selected occupations, in selected industries, in the United States. In Table VI the differentials in average straight-time hourly earnings between union and nonunion workers are compared with the per cent of unionization in selected occupations, in selected industries, in the United States. As in the Southeast, there is a noticeable relationship between the size of the union-nonunion wage differentials and the per cent of unionization in the selected industries, although the relationship is not as clear as it is in the Southeast. As in the Southeast, the per cent of unionization does not decline

TABLE VI. DIFFERENTIALS IN AVERAGE STRAIGHT-TIME HOURLY EARNINGS BETWEEN UNION AND NONUNION WORKERS IN SELECTED OCCUPATIONS IN SELECTED INDUSTRIES IN THE UNITED STATES COMPARED WITH THE PER CENT OF UNIONIZATION AMONG ALL WORKERS IN THE SELECTED INDUSTRIES

Industry	Number of Occupations	Union-Non-union Wage Differential	Percent of Unionization
Meat Products except Big Four	5	45.9	81.1
Women's and Misses' Dresses	5	45.3	82.8
Bakeries	6	30.6	65.0
Dress Shirts and Nightwear	5	23.1	56.3
Sheet Metal	3	21.0	64.8
Structural Clay Products	4	17.9	59.9
Wood Furniture	7	16.6	42.7
Corrugated and Fiber Box	4	16.5	80.5
Paperboard	3	16.3	85.1
Knitwear	6	15.2	39.7
Textile Dyeing and Finishing	6	14.2	70.6
Cotton Work Pants	5	12.7	56.3
Cigars	6	11.8	53.5
Full-Fashioned Hosiery	6	11.6	16.2
Cotton Textiles	10	7.9	49.4
Woolen and Worsted Textiles	8	6.4	55.0
Seamless Hosiery	6	5.8	16.2
Ferrous Foundries	4	5.6	84.0
Fabricated Structural Steel	6	4.6	76.4
Candy and Chocolate	4	-0.3	37.8

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

pari passu with the size of the differential between union and nonunion workers in the selected industries. The correlation does appear, however, when the industries are brought together in two large groups.

The wage differential between union and nonunion workers in nine industries ranged from 16.3 per cent to 45.9 per cent. The per cent of unionization fell below fifty per cent in but one of the nine industries (42.7 per cent in the wood furniture industry), and below sixty per cent in but two other of the nine industries. The per cent of unionization in four of the nine industries was greater than eighty per cent.

The wage differential between union and nonunion workers in eleven industries ranged from minus 0.3 per cent to 15.2 per cent. The per cent of unionization fell below fifty per cent in five of the eleven industries, and below sixty per cent in three other of the eleven industries. The per cent of unionization did not rise above eighty per cent in but one of the eleven industries.

The pattern of relationship between the differentials in union and nonunion wages and the per cent of unionization in the selected industries in the United States roughly duplicates the pattern of relationship between the two variables in the Southeast, thus lending substantiation to the conclusions drawn in respect to experience in the Southeast.

Differences in the union to nonunion wage differentials between the United States and the Southeast compared with differences in the per cent of unionization between the United States and the Southeast in

selected occupations in selected industries. In Table VII the percentage-point differences in the union-nonunion wage differentials between the United States and the Southeast are measured and are compared with a measurement of the percentage-point differences in the per cent of unionization between the United States and the Southeast, in selected occupations, in selected industries. Table VII is divided into two parts. In the first part of the table the industries are listed in which the union-nonunion differentials in the United States are greater than they are in the Southeast. In the second part of the table the industries are listed in which the union-nonunion wage differentials are larger in the Southeast than they are in the United States.

Of twenty selected industries for which data are presented in Table VII, the union-nonunion wage differential in the United States exceeded the union-nonunion differentials in the Southeast in thirteen industries; while the union-nonunion wage differentials in the Southeast exceeded the union-nonunion differential in the United States in seven industries. The union to nonunion wage differentials in the United States exceeded the union to nonunion wage differentials in the Southeast in more industries than the union-nonunion wage differentials in the Southeast exceeded the union-nonunion wage differentials in the United States, in the selected industries. In addition, in those industries in which the United States differential was larger than the Southeastern differential, the union-nonunion wage differential in the United States exceeded the union-nonunion wage differential in the Southeast by a greater amount, on the average, than the union-nonunion

TABLE VII. DIFFERENCES IN THE UNION TO NONUNION WAGE DIFFERENTIAL BETWEEN THE UNITED STATES AND THE SOUTHEAST CORRELATED WITH DIFFERENCES IN THE PER CENT OF UNIONIZATION BETWEEN THE UNITED STATES AND THE SOUTHEAST, IN SELECTED OCCUPATIONS, IN SELECTED INDUSTRIES

Industries in Which Union-Nonunion Differential in U. S. Exceeds Union-Nonunion Differential in the Southeast

Industry	Number of Occupations	Percentage-Point Difference in Union-Nonunion Wage Differential in each Selected Industry in the U. S. and Southeast (U. S. less S. E.)	Percentage-Point Difference Between Per Cent of Unionization in each Selected Industry in the U. S. and the Southeast (U. S. less S. E.)
Meat Products	5	27.3	33.7
Women's & Misses' Dresses	5	23.1	30.3
Wood Furniture	7	20.5	25.4
Bakeries	6	13.8	32.7
Dress Shirts and Nightwear	5	13.2	31.7
Cotton Work Pants	5	12.7	31.9
Hosiery	6	11.1	27.8
Structural Clay Products	4	10.1	31.4
Knit Wear	6	7.9	10.9
Textile Dyeing and Finishing	6	6.9	37.2
Candy and Chocolate	4	5.0	17.7
Cotton Textiles	10	4.1	18.9
Woolen and Worsted Textiles	8	2.0	43.9

Industries in Which Union-Nonunion Differential in U. S. Is Less Than Union-Nonunion Differential in the Southeast

Seamless Hosiery	5	-0.6	4.7
Corrugated Fiber Box	4	-1.4	25.4
Paperboard	3	-8.1	-2.1
Cigars	6	-10.0	-11.1
Pattern Foundries	4	-11.1	38.4
Fabricated Structural Steel	6	-13.0	20.1
Sheet Metal	3	-13.1	10.6

Source: United States Department of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

wage differential in the Southeast exceeded the union-nonunion wage differential in the United States, in those industries where the Southeastern differential was larger than the United States differential. The average percentage-point difference, for example, between the union-nonunion wage differential in the United States and the Southeast, in those industries where the United States differential exceeded the Southeastern differential, was 10.6 percentage points; while the average percentage-point difference between the union-nonunion differential in the United States and the Southeast, in those industries where the Southeastern differential exceeded the United States differential, was 8.2 percentage points.

There is no evidence of any relationship between the difference in the union-nonunion differentials in the United States and the Southeast and the difference in the per cent of unionization in the United States and the Southeast, in those industries where the union-nonunion wage differentials in the United States exceeded the union-nonunion wage differentials in the Southeast. Neither is there any evidence of relationship between the difference in the union-nonunion wage differentials in the United States and the Southeast and the difference in the per cent of unionization in the United States and the Southeast, in those industries where the union-nonunion wage differentials in the Southeast exceeded the union-nonunion wage differentials in the United States. Between the two groups of industries, however, there is a noticeable relationship between the difference in the union-nonunion wage differentials and the difference

in the per cent of unionization. There was, for example, not a single industry among the thirteen industries in which the union-nonunion wage differential in the United States exceeded the union to non-union wage differential in the Southeast that did not have a higher per cent of unionization in the United States than in the Southeast; while there were two industries among the seven industries in which the union-nonunion wage differential in the Southeast exceeded the union-non-union differential in the United States that had a lower per cent of unionization in the United States than in the Southeast. On the other hand, there were eight industries among the thirteen industries in which the union-nonunion wage differential in the United States exceeded the union-nonunion differential in the Southeast that had a percent of unionization in the United States more than thirty percentage points higher than the per cent of unionization in the Southeast; while there was only one industry among the seven industries in which the union-nonunion wage differential in the Southeast exceeded the union-nonunion wage differential in the United States that had a per cent of unioniza-tion in the United States more than thirty percentage points higher than the per cent of unionization in the Southeast.

The statistical evidence seems to indicate that, generally speaking, the existence of a degree of unionization in the United States considerably higher than in the Southeast will produce a union-nonunion differential in the United States that is higher than in the Southeast. The rule is not iron-clad for in the ferrous foundries industry the union-nonunion wage differential in the Southeast was 11.1 per cent

higher than in the United States, yet the per cent of unionization in the United States exceeded the per cent of unionization in the Southeast by 38.4 per cent. The ferrous foundries industry, however, is a high-wage industry that has probably been organized for a longer time than almost any other Southern manufacturing industry; and the unions may have been able to create a relatively high union-nonunion differential in the Southeast.

The statistical evidence also seems to indicate that the existence of a higher per cent of unionization in the Southeast than in the United States will create higher union-nonunion wage differentials in the Southeast than in the United States, a fact attested to by the paperboard and cigar industries, where a higher union-nonunion wage differential in the Southeast than in the United States is associated with a higher per cent of unionization in the Southeast than in the United States.

The foregoing analysis indicates that a higher degree of unionization in the Southeast may very well raise the union-nonunion wage differentials in the South to the level of the union-nonunion wage differentials in theUnited States. This conclusion indicates that unionization of the Southeast might tend to diminish the extent of the regional wage differentials for all workers between the United States and the Southeast, unless the unions widen the differentials by bringing in nonunion workers who enjoy wage differentials over the remaining nonunion workers higher than the existing union-nonunion differential.

Differentials in average straight-time hourly earnings between union and nonunion workers compared with differentials in average straight-time hourly earnings between workers in cities of different size, in selected occupations, in selected industries. In Table VIII the differential in average straight-time hourly earnings in the Southeast between union and nonunion workers are compared with the differentials in average hourly earnings between workers in cities of different size, in selected occupations, in selected industries.

For nine industries, differentials in average straight-time hourly earnings is given for cities of less than twenty five thousand population, of from twenty five to one hundred thousand population, and of one hundred thousand population or more. The average straight-time hourly earnings in cities of less than twenty five thousand population are taken as equal to one hundred, and the earnings of workers in the larger cities are expressed as a percentage of the earnings of workers in cities of less than twenty five thousand population. Where data were unavailable for cities of less than twenty five thousand population, wage differentials are expressed as a percentage of average earnings in cities of from twenty five thousand to one hundred thousand population.

A strong tendency is revealed in Table VIII for differentials in average straight-time hourly earnings to rise as city-size increases, except that earnings in medium-size cities are frequently higher than earnings in the largest cities. In the sixteen industries for which data are presented in Table VIII average straight-time hourly earnings

TABLE VIII. DIFFERENTIALS IN AVERAGE STRAIGHT-TIME HOURLY EARNINGS BETWEEN UNION AND NONUNION WORKERS COMPARED WITH DIFFERENTIALS IN AVERAGE STRAIGHT-TIME HOURLY EARNINGS BETWEEN WORKERS IN CITIES OF DIFFERENT SIZE, IN SELECTED OCCUPATIONS, IN SELECTED INDUSTRIES, IN THE SOUTHEAST

Industry	No. of Occupations	Union-Nonunion Differential (Nonunion = 100.0)	City-Size Wage Differential: Under 25,000 (Under 25,000 = 100.0)	25,000 to 100,000 (Under 25,000 = 100.0)	Over 100,000 (Under 25,000 = 100.0)
Paperboard	3	124.4	----	----	----
Women's and Misses' Dresses	5	122.2	----	100.0	127.0
Bakeries	6	116.8	100.0	94.9	110.2
Structural Clay Products	4	107.8	100.0	104.4	109.3
Textile Dyeing and Finishing	6	107.3	100.0	111.8	110.6
Seamless Hosiery	6	106.4	100.0	112.5	101.5
Cotton Textiles	9	103.8	100.0	101.4	100.9
Full-Fashioned Hosiery	6	100.5	100.0	105.1	104.6
Wood Furniture	7	96.1	----	100.0	96.5

Industry	No. of Occupations	Union-Nonunion Differential (Nonunion = 100.0)	City-Size Wage Differential: Under 100,000 (100,000 and over = 100.0)	100,000 and over (100,000 and over = 100.0)
Sheet Metal	2	148.3	100.0	127.3
Fabricated Structural Steel	5	121.4	100.0	117.7
Meat Products except Big Four	5	118.6	100.0	108.3
Knitwear	4	108.7	100.0	124.2
Ferrous Foundries	5	108.3	100.0	104.3
Cotton Work Pants	5	100.0	100.0	113.5
Candy and Chocolate	4	94.7	100.0	118.9

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

were greater in the larger city-size classifications than they were in the smallest city-size classification in every industry but one. Wages in the medium-sized cities exceeded wages in the largest cities in five out of the eight industries for which three city-size classifications were used.

In six industries where the city-size classification was three-fold, under twenty five thousand population, twenty five thousand to one hundred thousand population, and over one hundred thousand population, the differential between union and nonunion earnings exceeded the differential in earnings between cities of from twenty five to one hundred thousand population, and cities of less than twenty five thousand population, in three industries. In six industries where comparisons were available, the differential between union and nonunion earnings exceeded the differential in earnings between cities of over one hundred thousand population, and cities of less than twenty five thousand population, in three industries. In one industry the union-nonunion differential in earnings exceeded the differential in earnings between cities of over one hundred thousand population, and cities of from twenty five thousand to one hundred thousand population. In one industry where the union-nonunion differential was minus 3.9 per cent, the wage differential between cities of over one hundred thousand population, and cities of from twenty five thousand to over one hundred thousand population, was a minus 3.5 per cent.

For seven industries, the differential in average straight-time hourly earnings is given for cities of less than one hundred thousand

population, and cities of one hundred thousand population and over. The average straight-time hourly earnings in cities of less than one hundred thousand population are taken as equal to one hundred; and the earnings of workers in cities of one hundred thousand population and over are expressed as a percentage of the earnings of workers in cities of less than one hundred thousand population.

In the seven industries in which earnings in cities of one hundred thousand population and over are expressed as a per cent of earnings in cities of less than one hundred thousand population, the union-nonunion wage differential exceeded the intercity differential in four industries; while it was exceeded by the intercity differential in three industries.

The foregoing analysis of the data presented in Table VIII reveals that wage differentials between cities of different size are approximately as large as wage differentials between union and nonunion workers. Since there is no assurance of wage uniformity between union and nonunion workers, in the establishments located in each of the city-size classifications, there is no way of telling if union workers received higher wages than nonunion workers because they were relatively more concentrated in larger cities, or because of differences in skill, bargaining power, or plant size.

What is needed is a breakdown of average straight-time hourly earnings for workers in cities of different size by union and nonunion workers. Such a breakdown would show the number of union workers as compared with the number of nonunion workers in each city-size

classification. It would also show whether or not the union workers earned more than nonunion workers in plants of the same city-size classification. If union workers earned no more than nonunion workers in larger cities, the existing union-nonunion wage differentials would be the result of the relatively heavy concentration of union workers in the larger cities, and the union-nonunion wage differentials would be explained by the city-size factor to the extent revealed by the comparisons. If union workers earned more than nonunion workers in larger cities, the degree to which the union earnings exceeded the nonunion earnings would have to be explained on the grounds of differences in skill, differences in bargaining power, and differences in plant size. No data showing city-size differentials for both union and nonunion workers, as well as the number of union and nonunion workers in each city size classification, are available.

Differentials in average straight-time hourly earnings between union and nonunion workers compared with differentials in average straight-time hourly earnings between workers in plants of different size in selected occupations, in selected industries, in the Southeast. In Table IX the differentials in average straight-time hourly earnings between union and nonunion workers are compared with the differentials in average straight-time hourly earnings between workers in plants of different size, in selected occupations, in selected industries, in the Southeast.

The differentials in average straight-time hourly earnings between workers in plants of different size are shown for eight different plant-

TABLE IX. DIFFERENTIALS IN AVERAGE STRAIGHT-TIME HOURLY EARNINGS BETWEEN UNION AND NONUNION WORKERS COMPARED WITH DIFFERENTIALS IN AVERAGE STRAIGHT-TIME HOURLY EARNINGS BETWEEN WORKERS IN PLANTS OF DIFFERENT SIZE, IN SELECTED OCCUPATIONS, IN SELECTED INDUSTRIES, IN THE SOUTHEAST

Industry	No. of Occupations	Union-Nonunion Differential (Nonunion = 100)	Plant-Size Wage Differential (Smallest Plant Size = 100.0)		
			8-50	51 or more	
Fabricated Structural Steel	5	119.3	100.0	114.1	
Structural Clay Products	4	107.8	100.0	106.2	
Wood Furniture	6	95.5	100.0	109.7	
			8-50	251 or more	
Paperboard	3	124.4	100.0	117.6	
Cotton Work Pants	5	100.0	100.0	109.7	
			8-50	51 - 250	over 250
Women's and Misses' Dresses	5	122.2	100.0	87.5	---
Meat Products except Big Four	5	118.6	100.0	100.0	---
Bakeries	6	116.8	100.0	102.2	---
Ferrous Foundries	4	116.7	100.0	109.9	116.9
Seamless Hosiery	5	106.3	100.0	104.6	114.2
Full-Fashioned Hosiery	6	100.5	100.0	106.2	111.7
Candy and Chocolate	4	94.7	100.0	105.4	135.1
			8 - 250	251 - 500	over 500
Dress Shirts and Nightwear	5	109.9	---	100.0	104.5

TABLE IX. (Continued)

Textile Dyeing and Finishing	6	107.3	100.0	105.2	100.0		
			20-50	51-100	101-250	over 250	
Knitwear	4	108.7	100.0	117.2	122.5	154.5	
			8-250	251-500	501-1000	over 1000	
Cotton Textiles	9	103.8	100.0	103.1	103.7	107.0	
			8-20	21-50	51-250	251-500	over 500
Cigars	3	125.8	100.0	104.2	127.7	130.4	126.7

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

size classifications. Seventeen industries are grouped under the eight plant-size classifications. The average straight-time hourly earnings of workers in the larger plants in each industry are expressed as a per cent of the average straight-time hourly earnings of the workers in the smallest plant-size classification in each industry. The diversity of the plant-size classifications prohibits a detailed analysis of Table IX in which the above data are presented.

A strong tendency for wages to rise as plant-size increases is revealed in Table IX. Only in the women's and misses' dress industry did the wages in a larger plant-size classification fall below wages in the smallest plant-size classification in the selected industry. Wages in the larger plant-size classifications rose as much as 45.5 per cent above wages in the lowest plant-size classification. Sometimes, but not in the majority of instances, wages were highest in plant-size classifications smaller than the largest plant-size classification in the industry.

The union-nonunion wage differential was larger than the wage differential between the smallest plant-size classification and the larger plant-size classification with the highest average straight-time hourly earnings in eight of seventeen industries. In nine industries the union-nonunion wage differential was the smaller of the two wage differentials.

The foregoing analysis of the data presented in Table IX reveals that wage differentials between plants of different size are as large as wage differentials between union and nonunion workers. Since wide

differentials might occur between union and nonunion workers in the same plant-size classification, it is impossible to tell if union workers received higher wages than nonunion workers because they were relatively more concentrated in larger plants, possessed greater skill, had more bargaining power, or were relatively more concentrated in larger cities.

Since the factor of plant-size has been introduced, what is needed is a breakdown of average straight-time hourly earnings for workers in cities of different size classifications both by plant size and by union or nonunion status. Such a breakdown would tend to show whether city-size, plant-size, or union-affiliation was the dominating factor creating union-nonunion wage differentials.

Average straight-time hourly earnings of union and nonunion workers, workers in cities of different size and workers in plants of different size compared with average straight-time hourly earnings for all workers in selected occupations, in selected industries, in the Southeast. In Tables X and XI average straight-time hourly earnings of union and nonunion workers, workers in cities of different size, and workers in plants of different size are compared with average straight-time hourly earnings for all workers in selected occupations, in selected industries, in the Southeast.

These tables show that union average straight-time hourly earnings were higher than average straight-time hourly earnings in the city-size classification in which average hourly earnings were highest in ten of sixteen industries. The tables also show that union average

TABLE X. AVERAGE STRAIGHT-TIME HOURLY EARNINGS OF UNION AND NONUNION WORKERS AND WORKERS IN CITIES OF DIFFERENT SIZE EXPRESSED AS A PER CENT OF AVERAGE STRAIGHT-TIME HOURLY EARNINGS FOR ALL WORKERS IN SELECTED OCCUPATIONS, IN SELECTED INDUSTRIES, IN THE SOUTHEAST

Industry	No. of Occupations	Per Cent of Unionization in Industry	Union Earnings	Non-union Earnings	Earnings by City Size		
					Under 100,000	100,000 and Over	
Sheet Metal	2	54.2	120.1	81.0	83.8	106.7	
Fabricated Structural Steel	5	56.3	113.3	95.0	88.8	104.5	
Meat Products except Big Four	5	47.4	108.4	91.4	97.1	105.2	
Knitwear	4	28.8	105.9	97.4	86.3	107.2	
Ferrous Foundries	5	45.6	105.0	92.3	99.0	103.3	
Cotton Work Pants	5	21.4	100.3	100.3	99.7	113.2	
Candy and Chocolate	4	20.1	96.1	101.5	88.0	104.6	
					Under 25,000	25,000-100,000	Over 100,000
Women's and Misses' Dresses	5	52.5	112.7	92.2	---	83.3	105.8
Bakeries	6	27.3	111.3	95.3	97.5	92.6	107.4

TABLE I. (Continued)

Textile Dyeing and Finishing	6	33.4	105.7	98.5	93.0	103.9	102.8
Structural Clay Products	4	28.5	105.5	97.9	95.3	99.6	104.2
Seamless Hosiery		11.5	105.2	98.9	94.5	106.3	95.9
Paperboard	3	87.2	103.9	83.5	—	—	—
Cotton Textiles	9	30.5	103.0	99.3	99.3	100.7	100.1
Full-Fashioned Hosiery	6	17.7	100.2	99.6	97.9	102.9	102.3
Wood Furniture	7	17.3	97.0	101.0	—	100.5	97.0

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

TABLE XI. AVERAGE STRAIGHT-TIME HOURLY EARNINGS OF UNION AND NONUNION WORKERS AND WORKERS IN PLANTS OF DIFFERENT SIZE EXPRESSED AS PER CENT OF AVERAGE STRAIGHT-TIME HOURLY EARNINGS FOR ALL WORKERS, IN SELECTED OCCUPATIONS, IN SELECTED INDUSTRIES, IN THE SOUTHEAST

Industry	No. of Occupations	Per Cent of Unionization in Industry	Union Earnings	Nonunion Earnings	Earnings by Plant Size	
					8-50	51 or more
Fabricated Structural Steel	5	56.3	113.3	95.0	91.2	104.0
Structural Clay Products	4	28.5	105.5	97.9	95.3	101.3
Wood Furniture	6	17.3	96.6	101.1	91.4	100.3
					51-250	251 or more
Paperboard	3	87.2	103.9	83.5	88.3	103.9
Cotton Work Pants	5	21.4	100.3	100.3	95.4	104.6
Women's and Misses' Dresses	5	52.5	112.7	92.2	106.3	93.1
Bakeries	6	27.3	111.3	95.3	98.6	100.8
Meat Products except Big Four	5	47.4	108.4	91.4	97.7	97.7

TABLE XI. (continued)

					8-50	51-250	250 & Over
Ferrous Foundries	3	45.6	107.5	95.1	93.2	103.0	106.0
Seamless Hosiery	5	11.5	105.2	99.0	91.5	95.8	104.6
Full-Fashioned Hosiery	6	17.7	100.2	99.6	91.4	97.1	102.1
Candy and Chocolate	4	20.1	96.1	101.5	92.3	97.3	124.7

					8-100	101-500	Over 500
Textile Dyeing and Finishing	5	33.4	105.7	98.5	96.7	101.8	96.7

					8-250	251-500	Over 500
Dress Shirts and Nightwear	5	21.4	107.5	97.8	---	96.6	100.9

					20-50	51-100	101-250	Over 250
Knitwear	4	28.8	105.9	97.4	68.3	80.1	83.7	105.6

TABLE XI. (Continued)

					8-250	251-500	501-1000	over 1000
Cotton Textiles	9	30.5	103.0	99.3	96.1	99.1	99.7	102.9

					8-20	21-50	51-250	251-500	over 500
Cigars	3	64.6	106.9	85.0	82.0	85.4	104.7	106.9	103.9

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

straight-time hourly earnings were higher than average straight-time hourly earnings in the plant-size classification in which average hourly earnings were highest in eleven of seventeen industries.

The figures prove nothing definitely. The figures indicate, however, that unionization and/or city size, and/or plant size, are powerful forces affecting wages; and that the great wage diversity which exists between union and nonunion workers is due to union status if union workers are proportionately distributed among cities of different size and plants of different size. If union workers are concentrated in cities of larger size and/or plants of larger size, differentials between union and nonunion wages completely or partially account for, or are completely or partially accounted for, by differentials in wages in cities of different size and/or plants of different size.

Conclusions. The conclusions reached in this section of Chapter IV concerning union-nonunion wage differentials are summarized below.

(1) Union average straight-time hourly earnings exceeded nonunion average straight-time hourly earnings by an average of 14.0 per cent, in selected occupations in seventeen of nineteen selected Southeastern industries.

(2) Union average straight-time hourly earnings exceeded nonunion average straight-time hourly earnings in selected occupations, in nineteen of twenty selected industries in the United States.

(3) The differentials between union and nonunion average straight-time hourly earnings in selected industries in the Southeast are roughly but positively related with the degree of unionization in the same in-

dustries in the United States. The relationship, as in the case of the Southeast, is most apparent when the selected industries are divided into two major groups, the first group consisting of industries with the highest union-nonunion wage differentials, the second group consisting of industries with the lowest union-nonunion wage differentials.

(5) The differentials between union and nonunion average straight-time hourly earnings in selected industries in the United States exceeded the differentials between union and nonunion average straight-time hourly earnings in the Southeast in the majority of the selected industries. The size of the United States union-nonunion wage differential, in those industries where the United States differential exceeded the Southeastern differential, was on the average larger than the size of the Southeastern union-nonunion wage differential, in those industries where the Southeastern differential exceeded the United States differential.

(6) There is a tendency for the union-nonunion wage differential to increase as the degree of unionization increases, both in the Southeast and the United States. There is likewise a general tendency for the ratio of the union-nonunion wage differential in the Southeast to vary directly with the difference in the per cent of unionization in the Southeast and in the United States. These conclusions would support the idea that union bargaining power was effective in raising the wages of union members in a labor force consisting partially of union workers, and partially of nonunion workers, if union workers were proportionally distributed among plants of different sizes and cities of different sizes.

(7) There is a general tendency for the union-nonunion wage differential in the United States to exceed the union-nonunion wage differential in the Southeast in those industries in which the per cent of unionization in the United States substantially exceeds the per cent of unionization in the Southeast. The same rule applies in those industries in which the South has the larger union-nonunion wage differential. In those industries where the per cent of unionization in the United States is but slightly larger than the per cent of unionization in the Southeast the United States union-nonunion wage differential may, or may not, exceed the Southeastern union-nonunion wage differential. Generally speaking, the unions have not improved the status of their workers in the South, relative to nonunion workers, as in the United States.

(8) Differentials in average straight-time hourly earnings between workers in cities of different size are on the average not a great deal less, and in some industries are larger, than the wage differentials between union and nonunion workers.

(9) Differentials in average straight-time hourly earnings between workers in plants of different size are on the average not a great deal less, and in some industries are larger, than the wage differentials between union and nonunion workers.

(10) Average union straight-time hourly earnings are somewhat larger in a majority of the selected industries than average straight time hourly earnings in the city-size classification and plant-size classification for each industry in which average straight-time hourly

earnings are highest.

(11) Until average straight-time hourly earnings are simultaneously broken down by city size, plant size, and union status, it will be impossible to tell empirically whether union-nonunion wage differentials are the result of city size, plant size, or bargaining power.

REGIONAL WAGE DIFFERENTIALS

Differentials in average straight-time hourly earnings in selected industries in the United States, the Southeast, and the Southwest. The differentials in average straight-time hourly earnings in selected manufacturing industries in the United States, the Southeast, and the Southwest are shown in Table XII. Average straight-time hourly earnings for the Southeast and the Southwest are expressed as a per cent of average straight-time hourly earnings in the United States.

In thirty-six industries average straight-time hourly earnings in the Southeast varied from 48.9 per cent to 102.7 per cent of average straight-time hourly earnings in the United States.

Workers in the cigar industry and in the coal mining industry received hourly earnings equal to 102.7 per cent and 101.9 per cent of hourly earnings in the United States. Workers in the other thirty-four selected industries in the Southeast received smaller hourly earnings than workers in the same industries in the United States.

Workers in nine industries in the Southeast received hourly earnings equal to between 90.0 per cent and 98.8 per cent of hourly earnings in the United States. The nine industries fell into three major industry groups: six textile and apparel industries, two paper

TABLE XII. DIFFERENTIALS IN AVERAGE STRAIGHT-TIME HOURLY EARNINGS IN SELECTED INDUSTRIES IN THE UNITED STATES, THE SOUTHEAST, AND THE SOUTHWEST

Industry	United States	Southeast		Southwest	
	Avg. Straight-time Hourly Earnings (cents)	Avg. Straight-time Hourly Earnings (cents)	Southeast-United States Earnings Ratio	Avg. Straight-time Hourly Earnings (cents)	Southwest United States Earnings Ratio
Cigars	73	75	102.7	52	71.2
Coal Mining*	1.06	108	101.9	—	——
Cigarettes	80	79	98.8	—	——
Cotton Textiles	75	74	98.7	68	90.7
Seamless Hosiery	63	62	98.4	—	——
Pulp and Paper Mills	82	80	97.6	82	100.0
Rayon and Silk Mills	79	77	97.5	—	——
Paperboard Mills	83	77	92.8	—	——
Knitwear	78	85	91.8	—	——
Cotton Work Pants	58	53	91.4	54	93.1
Full-Fashioned Hosiery	97	88	90.7	—	——
Power Boilers	98	87	88.8	85	86.7
Tobacco and Snuff	71	63	88.7	—	——

TABLE XII. (Continued)

Textile Dyeing and Finishing	89	78	87.6	—	——
Fabricated Structural Steel	97	83	85.6	83	85.6
Overalls and Industrial Garments	64	54	84.4	62	96.9
Woolen and Worsted Mills	94	79	84.0	—	——
Glassware	105	87	82.9	90	85.7
Dress Shirts and Nightwear	68	56	82.4	—	——
Set-up Box	68	55	80.9	53	77.9
Corrugated and Fiber Box	78	62	79.5	68	87.2
Wood Furniture	76	60	78.9	64	84.2
Footwear	83	65	78.3	—	——
Machinery	122	95	77.9	115	94.3
Folding Paper Box	79	61	77.2	60	75.9
Paints and Varnishes	101	77	76.2	81	80.2
Drugs and Medicine	92	70	76.1	—	——
Structural Clay Products	80	60	75.0	57	71.3
Bakeries	76	56	73.7	62	81.6

TABLE XII. (Continued)

Stoves and Ranges	108	78	72.2	--	----
Candy and Chocolate	84	67	69.8	57	67.9
Meat Products except Big Four	108	75	69.4	91	84.3
Industrial Chemicals	114	79	69.3	115	100.9
Ferrous Foundries	101	69	68.3	78	77.2
Sheet Metal	106	68	64.2	88	83.0
Women's and Misses' Dresses	131	64	48.9	63	48.1

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

* Figures for coal mining in this and subsequent tables of this section are based on eight occupations for the United States and the South. The South is considered as Coal Districts 7 and 8, as defined by the federal Coal Act.

industries, and one tobacco industry.

Workers in nine additional industries in the Southeast received hourly earnings equal to between 80.0 per cent and 88.8 per cent of hourly earnings in the United States. The nine industries fell into four major industry-groups: four textile and apparel industries, one tobacco industry, two metal and metal fabricating industries, and one paper box industry.

Workers in ten industries in the Southeast received hourly earnings equal to between 70.0 and 79.5 per cent of hourly earnings in the United States. The industries were highly diversified, including the paper and box, wood furniture, footwear, paint and varnish, drug and medicine, structural clay products, bakery, and stove and range industries.

Workers in five industries in the Southeast received hourly earnings equal to between 60.0 and 69.8 per cent of hourly earnings in the United States. The industries were diversified, including the candy and chocolate, meat products except Big Four, industrial chemicals, ferrous foundries, and sheet metal industries.

Workers in one industry, the women's and misses' dress industry, received hourly earnings in the Southeast equal to but 48.9 per cent of hourly earnings in the United States. The low level of earnings in the women's and misses' dress industry, relative to earnings in the United States, contrasted sharply with the relatively high level of earnings in other textile and apparel industries in the Southeast.

In twenty-two selected manufacturing industries average straight-

time hourly earnings in the Southwest varied from 48.1 per cent to 100.9 per cent of average straight-time hourly earnings in the United States.

Workers in one industry in the Southwest, the industrial chemicals industry, received hourly earnings equal to 100.9 per cent of hourly earnings in the United States; while workers in another industry, the pulp and paer mill industry, received hourly earnings equal to 100.0 per cent of hourly earnings in the United States. Workers in four industries in the Southwest received hourly earnings equal to between 90.0 per cent and 96.9 per cent of hourly earnings in the United States. The four industries fell into two groups: three cotton textiles and apparel industries, and one machinery industry. Workers in nine industries in the Southwest received hourly earnings equal to between 80.0 and 87.2 per cent of hourly earnings in the United States. The industries were highly diversified and fell into different general classes of the manufacturing industry except for three metal fabricating industries: the power boiler, fabricated structural steel, and sheet metal industries. The other industries were the corrugated and fiber box, dress shirt and nightwear, meat products except Big Four, wood furniture, bakery, and paint and varnish industries. Workers in five industries in the Southwest received hourly earnings equal to between 70.0 and 77.9 per cent of hourly earnings in the United States. The industries were diversified consisting of the set-up box, ferrous foundry, folding paper box, structural clay products, and cigar industries. Workers in two industries in the Southwest received hourly

earnings equal to less than 70.0 per cent of hourly earnings in the United States. The industries were the candy and chocolate and women's and misses' dress industries, in which hourly earnings were 67.9 per cent and 48.1 per cent of hourly earnings in the United States, respectively.

Workers in the Southwest received higher average straight-time hourly earnings in thirteen of twenty-two selected manufacturing industries than did workers in the Southeast; while workers received higher hourly earnings in the Southeast than the Southwest in the eight remaining industries. In one industry, the fabricated structural steel industry, hourly earnings were exactly equal in the two regions.

The differentials in hourly earnings in favor of one region or another were less than five percentage points in the case of eleven industries, a fact that indicates very similar wage structures between the two regions in the industries in question. These industries are the pulp and paper mill, cotton work pants, power boilers, dress shirt and nightwear, set-up and fiber box, folding paper box, paint and varnish, structural clay products, candy and chocolate, and women's and misses' dress industries.

The differentials in hourly earnings were larger than five per cent in eleven additional industries. In the case of nine of these industries the workers in the Southwest received the larger hourly earnings. The nine industries were the overall and industrial garment, corrugated and fiber box, wood furniture, machinery, bakery, meat products except the Big Four, industrial chemicals, ferrous foundry, and

sheet metal industries. Workers in the Southeast received the higher earnings of the two regions in the case of two industries: the cigar industry and the cotton textile industry.

To summarize, it can be said that a wide range of wage differentials exists between the Southeast and the Southwest, on the one hand, and the United States, on the other hand. In all but two industries in the Southeast, and in two different industries in the Southwest, the average straight-time hourly earnings of workers in the United States exceeded similar earnings of workers in the Southeast and the Southwest.

The level of earnings in the Southeast and the Southwest were near to one another in one-half of the selected industries -- within five percentage points; but they were farther apart than five percentage points in the other one-half of the selected industries. The workers in the Southwest had a distinctly higher level of wages, by and large, than the workers in the Southeast. The workers in the Southwest, for example, received higher hourly earnings than workers in the Southeast in nine of the eleven industries in which the wage levels of the two regions showed a wide disparity.

All in all the data showed a great diversity of wage differentials among the three regional areas: the United States, the Southeast, and the Southwest. In the Southeast there was a noticeable tendency for the regional wage differential to be smaller in the textile, apparel, paper, and tobacco industries, than in the other selected industries.

What are the causes of wage differentials between economic regions? The very existence of regional wage differentials is incongruous

to orthodox marginal productivity theory based on the assumption of competition, mobility of workers, and uniformity of skill. According to that theory, if its assumptions are strictly maintained, wage rates should be equalized between regions and between industries for labor of the same grade.

Obviously the world of real wage rates does not accord with its theoretical counterpart. The reasons for this incongruity are found, for the most part, in a failure of the assumptions of marginal productivity theory to accord with reality. An examination of the possible, or probable, causes of regional wage differentials will reveal how the assumptions of theory fail to be met in practice.

One of the most obvious reasons advanced as a cause of regional wage differentials is that skills of workers may vary from region to region. Variance in skill causes variance in productivity and differentials in wages between regions. Productivity theory is not disproven; wages vary regionally simply because the quality, or grade, of labor varies between regions.

Another reason advanced as a cause of regional wage differentials is that the productivity of workers varies between regions because workers in one region produce a higher value of product per worker than workers in another region. In cases where the differences in the value of the product per worker is dependent upon a differential in skill, the argument is no different from the one advanced in the preceding paragraph. In cases, however, where the differences in the value of the product per worker results from factors external to the worker's skill, such a

difference in capital equipment, organization of production, or quality of product, the theoretical implications are quite different. According to orthodox productivity theory, the plant with the higher worker productivity should need to pay only the prevailing wage rate. If the plant which utilizes its labor more efficiently receives a greater return over and above labor and raw material costs, the excess should functionally be allocated to the capital factor, or to ownership as economic profit.

Two factors foreign to productivity theory may intervene to prevent the orthodox solution. In the first place, immobility of the labor factor may prevent a relatively high wage rate from being lowered by competition on the sellers' side of the market. Put another way, the regional labor markets may exist as more or less separate labor markets, in which the productivity of labor in the low-wage market may not affect wages in the high-wage market, where productivity is greater. In the second place, organization of labor may create bargaining power sufficient for the labor factor to appropriate part of the economic profit accruing to ownership in plants where higher worker productivity is caused by factors external to labor itself, such as more modern capital equipment, or more efficient management. The appropriation is possible because organized labor keeps lower-paid workers from entering the high-wage market to bid down the price of labor. Organization of labor may, in fact, develop sufficient bargaining power to assist employers in attaining a monopolistic position in their product markets. The unions, by such assistance, receive part of the profits derived from consumer exploitation.

The appearance of monopoly on the buyers' side of the labor market, to a greater or lesser extent in one regional labor market than in another, constitutes another reason for the existence of wage differentials. A particular region may have fewer employers in proportion to its labor force than another region, meaning a greater geographical dispersion of job opportunities, and fewer bids on the buyers' side of the market. Such a condition vis a vis the inertia of workers to seek out job opportunities can easily create regional wage differentials.

The appearance of a differential degree monopoly in the market for finished products in two regions, coupled with union organization ready to appropriate monopoly profits arising therefrom, is another possible source of wage differentials. Such monopoly power in the hands of employers and employees lies far beyond the assumption of competition within the marginal productivity theory.

A final possible cause of regional wage differentials may be regional differences in the cost of living. Regional differences in living costs, arising out of differences in climate, primarily, rather than differences in the scale of living, are reflected in a lower supply price of labor and, therefore, in lower wages. Or, put in terms of productivity analysis, regionally equal wages would draw workers to the areas of low-living costs where the productivity of the marginal workers would be lowered by the increasing number of laborers.

The foregoing discussion has shown that the underlying causes of regional wage differentials lie in violations of the assumptions of marginal productivity theory. The existence of regional wage

differentials in their great number and diversity are mute but stubborn evidence of the fact that reality is not in accord with the assumptions of productivity theory.

The extent to which assumptions of productivity theory fail to accord with reality has led some economists to abandon the orthodox theory.[5] Those who have severed relations with the older theory have been working toward a restatement of wage theory in terms of a range of indeterminateness broad enough to allow a large extent of wage diversity.[6] It is doubtful whether they have developed a better analytical tool than that which is provided through a removal of the assumptions of the older theory. This study, as the preceding pages attest, has followed the latter course of analysis.

The purpose of this chapter is to examine the impact which trade unionism has had upon the wage structure of selected Southern manufacturing industries. For this reason the underlying causes of the regional wage differentials, other than differences in the extent of union organization, will be examined in the succeeding chapter. In this chapter the size of the Southern wage differentials will be compared with the per cent of unionization in the respective selected industries, and with the percentage-point differences in the degree of unionization between the United States and the South. The Southern wage differentials will also be compared with the union-nonunion wage differentials in

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[5] See Chapter VIII in Richard A. Lester and Joseph Shister, Insights into Labor Issues (New York: The Macmillan Company, 1948), pp. 197-225.

[6] Lester and Shister, op. cit., pp. 292-301.

the South and with the percentage-point differences in the union-nonunion wage differentials in the South. All of these comparisons will involve only the United States and the Southeast, as the number of industries in the Southwest for which data were available was too small for comparisons to be meaningful.

Southeast-United States average-straight-time-hourly-earnings ratios compared with the per cent of unionization in selected manufacturing industries in the Southeast, and with the percentage-point differences in per cent of unionization between the United States and the Southeast in the same selected manufacturing industries. Southeast-United States average straight-time-hourly-earnings ratios are compared in Table XIII with the per cent of unionization in selected manufacturing industries in the Southeast and with the percentage-point differences in the per cent of unionization between the United States and the Southeast in the same selected manufacturing industries.

For the twenty-two selected manufacturing industries for which data are shown in Table XIII, little relationship is evident between the regional wage differentials and the per cent of unionization in the respective selected manufacturing industries, either industry by industry, or by large groups of industries. For example, if the eleven industries with the smallest regional wage differentials, excluding the cigarette industry, for which no union-status data are available, are grouped together and compared with the eleven industries with the largest regional wage differentials, no noticeable contrast appears in respect to the per cent of unionization occuring among the industries of each

TABLE XIII. SOUTHEAST-UNITED STATES AVERAGE-STRAIGHT-TIME-HOURLY EARNINGS RATIOS COMPARED WITH PER CENT OF UNIONIZATION IN SELECTED MANUFACTURING INDUSTRIES IN THE SOUTHEAST, AND WITH PERCENTAGE-POINT DIFFERENCES IN PER CENT OF UNIONIZATION BETWEEN THE SOUTHEAST AND THE UNITED STATES IN THE SAME SELECTED MANUFACTURING INDUSTRIES

Industry	Southeast-United States Earnings Ratio	Per Cent of Unionization	Percentage Points by Which Unionization in South Is Less than in the United States
Cigars	102.7	64.6	-11.1
Coal Mining	101.9	87.5*	0.0*
Cigarettes	98.8	----	----
Cotton Textiles	98.7	30.5	18.9
Seamless Hosiery	98.4	11.5	4.7
Paperboard Mills	92.8	24.4	-2.1
Knitwear	91.8	28.8	10.9
Cotton Work Pants	91.4	21.4	34.9
Full-Fashioned Hosiery	90.7	17.7	27.8
Textile Dyeing and Finishing	87.6	33.4	37.2
Fabricated Structural Steel	85.6	56.3	20.1
Woolen and Worsted Mills	84.0	11.1	43.9
Dress Shirts and Nightwear	82.4	21.4	34.7
Corrugated and Fiber Box	79.5	55.1	25.4
Wood Furniture	78.9	17.3	25.4

TABLE XIII. (Continued)

Structural Clay Products	75.0	28.5	31.4
Bakeries	73.7	27.3	32.7
Candy and Chocolate	69.8	20.1	17.7
Meat Products except Big Four	69.4	47.4	33.7
Ferrous Foundries	68.3	45.6	38.4
Sheet Metal	64.2	54.2	10.6
Women's and Misses' Dresses	48.9	52.5	30.3

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

*This figure is the per cent of all workers covered by union agreement. The same per cent of unionization is assumed for the Southeast and the United States.

group. Two industries in the first group is characterised by a per cent of unionisation in excess of 60 per cent; one additional industry by a per cent of unionisation in excess of 50 per cent; additional industries by a per cent of unionisation in excess of 40 per cent; two additional industries by a per cent of unionisation in excess of 30 per cent; three additional industries by a per cent of unionisation in excess of twenty per cent; and three additional industries by a per cent of unionisation in excess of ten per cent. In the other group of ten industries, no industry was characterised by a per cent of unionisation in excess of sixty per cent; three industries by a per cent of unionisation in excess of fifty per cent; no additional industries by a per cent of unionisation in excess of thirty per cent; four additional industries by a per cent of unionisation in excess of twenty per cent; and one additional industry by a per cent of unionisation in excess of ten per cent. The average per cent of unionisation in the Southeast for the first group of industries was 35.2 per cent; while the average per cent of unionisation for the second group of industries was 36.9 per cent.

A greater degree of correspondence was found between the size of the regional wage differentials and the differentials in the degree of unionisation, particularly if the six industries in the Southeast with the lowest regional wage differentials, excluding the cigarette industry for which unionisation data were unavailable, are contrasted with the fifteen industries with the highest regional wage differentials.

For example, among the six industries with the lowest regional

wage differentials two industries, the cigar industry and the paperboard industry, had a per cent of unionization in the Southeast greater than in the United States; and one additional industry, coal mining, had a per cent of unionization in the Southeast equal to the per cent of unionization in the United States. The other three industries, the cotton textile, seamless hosiery, and knitwear industries, had per cent of unionization but 4.7 percentage points, 10.9 percentage points, and 12.9 percentage points less than the United States.

In contrast, but two industries among the fifteen industries with the highest regional wage differentials had a per cent of unionization in the Southeast of less than twenty percentage points below the per cent of unionization in the United States. The industries were the sheet metal and candy and chocolate industries, with a per cent of unionization in the Southeast of 19.6 and 17.7 percentage points less than in the United States.

Among the six industries in which the regional wage differentials were lowest, two industries, the cigar industry and the coal mining industry, were relatively well unionized, compared to other manufacturing industries in the Southeast; three industries, the cotton textile, knitwear, and paperboard industries, were unionized to an average extent; while one industry, the seamless hosiery industry, was unionized to less than an average extent.

The foregoing analysis of Table XIII, which shows the relationship between the Southeastern regional wage differentials, on the one hand,

and the per cent of unionization in selected industries in the Southeast, and the differential in the per cent of unionization between the United States and the Southeast in the selected industries, on the other hand, leads to the following conclusions. First, there is no noticeable relationship between the size of the Southeastern regional wage differentials and the per cent of unionization among the selected manufacturing industries in the Southeast. Secondly, there is a noticeable degree of relationship between the Southeastern regional wage differentials and the percentage-point differences in the per cent of unionization in the selected industries between the United States and the Southeast, after the percentage-point difference drops below 20.0 points. Six of the eight industries which had a percentage-point difference of less than twenty points, between the per cent to which they were unionized in the United States and in the Southeast, were the six industries which had the lowest Southeastern wage differentials.

The Southeastern wage differentials, compared with the Southeastern union-nonunion wage differentials and with the differences in the union-nonunion wage differentials between the United States and the Southeast. In Table XIV the Southeastern wage differentials are compared with the Southeastern union-nonunion wage differentials and with the differences in the union-nonunion wage differentials between the United States and the Southeast.

There is a slightly noticeable direct relationship between the Southeastern wage differentials and the Southeastern union-nonunion wage differentials. There is no noticeable relationship between the Southeastern wage differentials and the percentage-point differences in the

TABLE XIV. SOUTHEAST-UNITED STATES AVERAGE-STRAIGHT-TIME-HOURLY-EARNINGS RATIOS COMPARED WITH UNION TO NONUNION WAGE DIFFERENCES IN THE SOUTHEAST, AND WITH THE PERCENTAGE-POINT DIFFERENCES IN THE PER CENT OF THE UNION TO NONUNION WAGE DIFFERENCES IN THE UNITED STATES AND THE SOUTHEAST IN SELECTED MANUFACTURING INDUSTRIES

Industry	Southeast-United States Earnings Ratio	Union-Nonunion Wage Differences in the Southeast	Percentage-Point Difference in Union-Nonunion Wage Differences Between U. S. and Southeast
Cigars	102.7	21.8	-10.0
Cigarettes	98.8	——	——
Cotton Textiles	98.7	3.8	4.1
Seamless Hosiery	98.4	6.4	-0.6
Paperboard Mills	92.8	24.4	-8.1
Knitwear	91.8	7.3	7.9
Cotton Work Pants	91.4	0.0	12.7
Full-Fashioned Hosiery	90.7	0.5	11.1
Textile Dyeing and Finishing	87.6	7.3	6.9
Fabricated Structural Steel	85.6	17.6	-13.0
Woolen and Worsted Mills	84.0	4.4	2.0
Dress Shirts and Nightwear	82.4	9.9	13.2
Corrugated and Fiber Box	79.5	17.9	-1.4
Wood Furniture	78.9	-3.9	20.5
Structural Clay Products	75.0	7.8	10.1

TABLE XIV. (Continued)

Bakeries	73.7	16.8	13.8
Candy and Chocolate	69.8	-5.3	5.0
Meat Products except Big Four	69.4	18.6	27.3
Ferrous Foundries	68.3	16.7	-11.1
Sheet Metal	64.2	34.1	-13.1
Women's and Misses' Dresses	48.9	22.2	23.1

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

extent of union-nonunion wage differentials in the United States and the Southeast.

Conclusions. The conclusions reached in this section of Chapter IV dealing with the extent of Southern wage differentials and the degree to which they have been influenced by trade unionism are summarized below.

First, sizable differentials in hourly earnings existed between the Southeast and the Southwest, on the one hand, and the United States, on the other hand. The differentials of course, were against the Southeast and the Southwest in nearly all instances. Hourly earnings, in other words, were higher in the other regions of the United States than in the Southeast and the Southwest.

Secondly, the Southeastern and Southwestern hourly-earnings differentials varied greatly from industry to industry, ranging from slightly less than fifty per cent of hourly earnings in the United States in the women's and misses' dress industry, in both the Southeast and Southwest, to slightly more than earnings in the United States in the cigar and coal mining industries, in the Southeast, and in the industrial chemicals industry in the Southwest.

Thirdly, differentials between hourly earnings in the Southwest and the United States were on the average less than the differentials between hourly earnings in the Southeast and the United States. This fact means that the level of hourly earnings in the Southwest was higher than in the Southeast. In one-half of the industries surveyed, however, differences of less than five percentage points prevailed between

hourly earnings in the Southeast and in the Southwest.

Fourthly, regional differentials in hourly earnings were relatively small in the tobacco, textile, apparel, and pulp and paper industries in the Southeast, and in the industrial chemicals, textiles, apparel, machinery, and metal-working industries in the Southwest.

Fifthly, no noticeable relationship, direct or indirect, appeared between the size of the Southeastern wage differential and the per cent of unionization in the Southeast by industries. The statistics failed to indicate, however, the intensity to which unionization is being carried out, or the intensity to which it is being fought. The disparity between the intensity with which unionism is practiced, or opposed, and the per cent of unionization might, or might not, operate to produce a greater degree of correlation between "union activity" and the size of the regional wage differential.

Sixthly, a certain degree of relationship appeared between the size of the Southeastern differentials in hourly earnings and the percentage-point difference between the per cent of unionization in the United States and in the Southeast. The relationship was apparent when the percentage-point difference in extent of unionization fell below twenty per cent.

Seventhly, little relationship appeared to exist between the Southeastern wage differentials and the Southeastern union-nonunion wage differentials or the percentage-point difference between the union-nonunion wage differentials in the United States and the Southeast.

Finally, the conclusion must be reached that the Southern wage differentials can not be adequately explained by differentials in the per cent of unionization in the Southeast, or by differences in the per cent of unionization between the Southeast and the United States.

The more comprehensive examination of the factual, as well as the theoretical, base of the Southern wage differentials will be one of the principal jobs of the succeeding chapter.

TRENDS IN SOUTHERN WAGE DIFFERENTIALS

Introduction. The purpose of this section of Chapter IV is to trace trends in Southern wage differentials and to estimate the influence of trade unionism in the South on these trends. Three surveys showing trends either in the average Southern wage differential, or in the Southern wage differential in individual manufacturing industries, are presented in this chapter. The first of the surveys is a United States Bureau of Labor Statistics survey showing the long-term movement of manufacturing wages in the South, the Far West, the Middle West, and the Northeast from 1907 to 1946. The second is one conducted by Professor Richard A. Lester. It shows changes in regional wages in selected manufacturing industries in the South and the North from 1890 to 1945. The third of the surveys is original to this study. It shows changes in annual earnings in census classifications of manufacturing industries for the South and the remainder of the United States from 1919 to 1947.

United States Bureau of Labor Statistics survey.[7] The United States Bureau of Labor Statistics survey measures median regional differences in occupational wage rates in manufacturing industries, broken down by skill and sex. The survey gives data for the manufacturing industry as a whole rather than by individual industries.

The survey was based on a sample of occupations selected from the entire field of manufacturing. Comparisons for the sample group of occupations were made for each of four periods: 1907, 1919, 1931-32 and 1945-1946. For each of these periods average hourly earnings in each occupation, in each region, was expressed as a per cent of average hourly earnings in the occupation in the Northeast region. The relatives for all occupations were arrayed, and the median relative, or occupation wage ratio, was selected as the representative occupational wage ratio of the region. The same procedure was followed for measuring regional differences in wages in the men's occupations, men's skilled occupations, women's occupations, and all occupations.

The results of the survey are shown in Table XV. The most striking fact concerning the results is the practically identical relative level of the South-Northeast wage ratio in 1907 and 1945-1946 in the manufacturing industry. Wage rates in the South were 86.0 per cent of wage rates in the Northeast in 1907. Approximately forty years later wage rates in the South were 85.0 per cent of wage rates in the Northeast.

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[7] Joseph W. Bloch, "Regional Wage Differentials: 1907-1946," Monthly Labor Review, Vol. 66, No. 4 (April, 1948), pp. 371-377.

TABLE XV. MEDIAN REGIONAL DIFFERENCES IN OCCUPATIONAL WAGE RATES IN MANUFACTURING INDUSTRIES, BY SKILL AND SEX, SELECTED PERIODS

(Wage Rates for Corresponding Occupations in the Northeast = 100)

Occupational Category and Period	Median Relation to Northeast (percent)		
	South	Middle West	Far West
All occupations:			
1907	86	100	130
1919	87	97	115
1931-32	74	97	113
1945-46	85	101	115
Men's occupations:			
1907	88	100	131
1919	88	98	117
1931-32	74	97	114
1945-46	84	102	115
Men's Skilled occupations:			
1907	93	99	131
1919	95	98	(*)
1931-32	83	96	(*)
1945-46	91	101	113
Women's occupations:			
1907	(*)	(*)	(*)
1919	81	92	(*)
1931-32	73	(*)	(*)
1945-46	87	98	114

Source: Joseph W. Black, "Regional Wage Differentials: 1907-46," Monthly Labor Review, Vol. 66, No. 4 (April, 1948), p. 375.

*Number of occupations covered too small to justify selection of median.

TABLE XVI. SOUTH-NON-SOUTH AVERAGE HOURLY EARNINGS RATIOS

Year	Foundry and Machine Shop Trades	Building Trades	Cotton Textiles	Farm Wages	Blast Furnaces	Lumber
	(per cent)	(per cent)	(per cent)	(per cent)	(per cent)	(per cent)
1890	114.3	94.9	59.6	78.1	74.6	71.3
1891	113.1	94.1	58.4	76.1	68.3	73.7
1892	111.9	89.4	55.4		65.5	71.0
1893	110.8	89.1	52.0	71.9	64.3	71.8
1894	114.9	87.9	56.3	72.2	78.7	77.0
1895	113.0	87.9	54.9	69.4	68.4	76.6
1896	112.7	89.9	55.3	----	68.7	76.0
1897	113.3	90.9	56.6	----	70.9	76.1
1898	114.3	91.7	58.8	69.9	68.4	73.8
1899	113.9	91.0	58.0	68.5	62.8	70.9
1900	113.0	92.4	53.2	----	68.7	69.5
1901	112.2	95.0	55.4	----	67.6	69.1
1902	112.5	93.5	54.6	70.2	68.3	69.0
1903	111.1	95.1	59.7	----	61.7	68.8
1904	110.9	94.8	62.3	----	72.1	69.0i
						89.1j
1905	109.8	93.5	64.9	----	76.0	89.7
1906	109.7	95.2	64.0	77.5	78.5	94.0
1907	113.8	94.8	68.0	----	75.1	95.1
	106.1h				70.9f	84.9g
1908	106.5	94.3	72.3	----	70.2	89.3g
1909	108.7	95.2	75.3	72.5	71.7	88.0g
1910	107.7	93.4	74.0	73.6	76.8	79.5e

TABLE XVI. (Continued)

1911	108.0	94.4	74.6	74.1	75.0	78.8
1912	106.5	94.2	72.8	72.8	74.4	80.6
1913	105.4	92.6	72.8	73.2	74.4	81.6
1914	103.4	92.7	72.8	70.4	74.0	——
1915	103.1	91.6	——	69.2	72.7	78.7
1916	102.1	90.3	63.0	68.4	——	——
1917	99.3	86.9	——	70.6	——	——
1918	105.2	90.9	63.5	72.9	——	——
1919	108.2	93.6	——	74.4	68.0	76.9
1920	101.3	89.9	78.7	72.9	68.3	——
1921	97.7	89.5	——	67.5	——	69.3
1922	96.8	92.0	63.7	69.5	74.4	——
1923	——	85.4	——	64.5	——	70.7
1924	——	88.9	60.9	68.3	66.0	——
1925	——	88.2	——	69.6	——	75.3
1926	——	91.7	65.9	69.9	62.5	——
1927	——	89.5	——	67.5	——	——
1928	——	85.7	69.3	67.0	——	71.2
1929	——	82.9	——	67.2	58.2	——
1930	——	80.6	70.8	65.5	——	69.3
1931	——	80.0	——	63.0	67.8	——
1932	——	82.5	74.0	62.9	——	62.3
1933	——	85.3	82.0a	65.4	77.5d	——
1934	——	86.8	84.4a	68.3	——	——
1935	——	83.8	82.5	66.7	78.8	——
1936	——	84.2	82.7b	65.5	——	——

TABLE XVI. (Continued)

1937	----	84.0	80.6b	64.2	----	----
1938	----	82.3	82.0b	63.6	----	----
1939	----	84.8	82.0	66.1	----	----
1940	----	86.4	83.3	65.7	----	----
1941	----	88.6	83.4	62.5	----	----
1942	----	87.9	82.9	63.2	----	----
1943	----	----	83.3	61.9	----	----
1944	----	----	83.1c	63.3	----	----

Source: Richard A. Lester, "Trends in Southern Wage Differentials Since 1890," The Southern Economic Journal, XI, No. 4 (April, 1945), pp. 339-340.

[a] August.

[b] Averages for last 6 months of 1936, first 6 months of 1937, and last 6 months of 1938.

[c] Average for first 9 months.

[d] Average of data for first and second half of March.

[e] Basis of calculation different from 1910 on.

[f] A change in occupational basis from 1907 on.

[g] Based on laborers only.

[h] Shift from average hourly earnings to average of union wage rates.

[i] Figure calculated on basis of percentage change from 1903 to 1904 according to data in Bulletin No. 59, pp. 43-44.

[j] Not comparable with preceding figures as the number of employees covered in 1904 in both South and North was more than double the number in 1903.

The horizontal trend in wage rates in the manufacturing industry in the South between 1907 and 1945-1946 conceals two quite divergent trends: 1919 to 1931-1932, and 1931-1932 to 1945-1946. Between 1919 and 1931-1932, on the one hand, wage rates in the manufacturing industry in the South fell from 87.0 per cent to 74.0 per cent of wage rates in the manufacturing industry in the Northeast. In the later period, on the other hand, wage rates in the manufacturing industry in the South rose from 74.0 per cent to 85.0 per cent of wage rates in the manufacturing industry in the Northeast.

"The widening of the gap between the two regions during the earlier period (1919 to 1931-1932)," according to Joseph W. Bloch, "probably is related to the 1930-1932 depression."[8] Evidently Mr. Bloch is of the opinion that the impact of the depression was more severe in the South. Mr. Bloch is more certain of the causes for the relatively more rapid rise of manufacturing wage rates in the South than in the Northeast between 1931-1932 and 1945-1946. According to Mr. Bloch "the reasons for the improvement in the position of manufacturing wages in the South between 1931-1932 and 1945-1946 are more readily apparent than those for the earlier loss. Because of the relatively low wage rates paid in the South, this region was undoubtedly affected to a larger extent than others by the National Recovery Act codes, the Fair Labor Standards Act, and other Federal wage legislation; by the spread of unionization; and by the full employment of the war years."[9] Although

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[8] Ibid., p. 374.

[9] Ibid.

Mr. Bloch lists the causes of the rise in the ratio of Southern to Northeastern wage rates in the manufacturing industry between 1931-1932 and 1945-1946, he unfortunately fails to assess the relative weight to be assigned each of the causative factors.

Three interesting facts in Table XV should be mentioned in passing. First, the South-Northeast wage ratio in men's skilled occupations is distinctly higher than the South-Northeast wage ratio in men's unskilled occupations. Second, the trend of the South-Northeast wage ratio in women's occupations from 1907 to 1945-1956 has been definitely upward; while the trend of the South-Northeast wage ratio in men's occupations has been to a lesser degree downward.

The failure of the Southern wage differential to disappear, or even to narrow, over the past forty years is a most interesting economic fact. The permanence of the differential refutes the a priori expectation that the movement of labor to the Northeast, or high wage-rate region, and the movement of capital to the South, or low-wage-rate region, would bring about the regional equalization of wages. Evidently, weighty counter balances have been in the scales in order for the equilibrating forces of factor movements to have been offset. The nature of the counterbalances will be a subject for further consideration in the succeeding chapter.

Richard A. Lester's survey.[10] Lester's survey is more useful for the purposes of this study because it gives the trends in the Southern

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[10] Richard A. Lester, "Trends in Southern Wage Differentials Since 1890," The Southern Economic Journal, Vol. XI, No. 4 (April, 1945), pp. 317-344.

wage differentials in average hourly earnings by individual manufacturing industries, rather than for the manufacturing industry as a whole. Lester's survey also gives the trends of the Southern wage differentials in the building trades and the agricultural industry. The trend of the Southern wage differential in the agricultural industry offers some interesting comparisons with trends in the manufacturing industry.

Lester's survey is based upon averages of hourly earnings in a sample of selected occupations in each industry. Lester pointed out that the samples probably were not adequately representative and that the samples did not include the same establishments or the same occupations over the period covered by the survey. He further pointed out that no allowances were made for regional differences in the quality or character of output, in equipment, in nature of job, in gratuities or payment in kind, or in the proportion of female, child, handicapped, or colored workers.

The basic wage data used by Lester were taken from Bulletins 515, 560, 566, 567, 586, 604, 626, 657, 663, 674, 680, and 730 of the Bureau of Labor Statistics of the United States Department of Labor; articles appearing in the September 1932, September 1933, November 1935, May 1935, and April 1936 issues of the Monthly Labor Review; Farm Wage Rates, Farm Employment and Related Data published by the Bureau of Agricultural Economics of the United States Department of Agriculture; and the July 14, 1944 and October 13, 1944 issues of Farm Labor.

The findings of Lester's survey may be summarized under the following industry heads: (a) metal and building trades; (b) cotton textiles; (c) agriculture; (d) lumber; (e) blast furnaces; (f) furniture; (g) pulp and paper; (h) hosiery; and (i) fertilizer.

a. Metal and building trades. The ratios of Southern to Northern wages in the metal and building trades are shown in Table XVI. The metal trades' series runs only from 1890 to 1922; but the building trades' series extends from 1890 to 1942. The trend in the size of the South-non-South ratios is gradually downward in both series. The metal trades' ratio stood at 114.3 per cent in 1890 but had dropped to 96.8 per cent by 1922. The building trades' ratio stood at 94.9 per cent in 1890 but had dropped to 83.1 per cent by 1941. The South-non-South ratio for wages in the building trades remained about constant, however, after 1929, when the ratio stood at 82.9 per cent.

b. Cotton textiles. The ratios of Southern to non-Southern wages in the cotton textile industry are shown in Table XVI. The trend of the South-non-South ratio in this industry has been upward. The first upturn occurred between 1903 and 1909 when the ratio rose from 59.7 per cent to 75.3 per cent. The South-non-South ratio began a decline after this year that continued practically unbroken, except for a sudden upsurge to 78.7 per cent in 1920, until a low ratio of 60.9 per cent was reached in 1924. After 1924 a sharp upward trend in the South-non-South ratio began. By 1932 a ratio of 74.0 per cent was reached; by the next year the ratio had jumped to 82.0 per cent, where it remained with but slight variation through 1944.

The upward trend of the cotton textiles' South-non-South ratio contrasts sharply with the downward trend of the metal and building trades' South-non-South ratio. The workers in cotton textiles and in the metal and building trades are largely, however, non-competing groups of laborers.

c. Agriculture. The ratios of South-non-South farm wages from 1890 to 1944 yield a downward trend according to Table XVI. The South-non-South wage ratio fell from 78.1 per cent in 1890 to 68.5 per cent in 1899, from which level it recovered to 77.5 per cent in 1906, the latter trend matching the rise in the cotton textile South-non-South ratio. After 1906, the South-non-South farm wage ratio dropped fairly steadily, except for a brief period of recovery from 1917 to 1920, reaching a ratio of 65.5 per cent in 1930. Since 1930 the ratio remained fairly constant to 1944.

The most striking part of the trend in the South-non-South farm wage ratio was its inverse correlation after 1924 with the rapid rise in the South-non-South textile wage ratio. The textile industry in the majority of its occupations does not require a highly skilled labor force, and it has been presumed that the industry has drawn quite heavily on surplus farm labor during its development in the South. The labor forces of the two industries are competing groups from the viewpoint of skill, and it is surprising that the trends in the South-non-South ratios for the two industries run counter to one another during the decade following 1924. The lack of correspondence in the trend in the South-non-South ratio in the two industries indicates that the labor supply

over a broad regional area is highly immobile, or non-competing, over even rather long periods of time.

d. Lumber industry. The trend in the South-non-South wage ratio in the lumber industry is shown in Table XVI for the period from 1890 to 1932 and in Table XVII for the period from May-July, 1930 to July, 1944. The trend for the period from 1890 to 1932 is slightly downward. During the period from 1890 to 1932 the South-non-South wage ratio in the industry fell from 71.3 per cent in 1890 to 69.3 per cent in 1930. The trend in the South-non-South wage ratio in sawmill wages was practically horizontal between 1930 and 1944, rising slightly from 72.4 per cent in May-July, 1930 to 72.7 per cent in July, 1944.

The trend in the South-non-South wage ratio in the lumber industry corresponds roughly with the trend in the South-non-South wage ratio in the agricultural industry. Both industries, it should be noted, were relatively losing ground to other industries during the period from 1890 to 1944.

e. Blast furnaces. The trend in the South-non-South wage ratio in the blast furnace industry is shown in Table XVII for the period from 1890 to 1935. Over the entire period the trend in the ratio is practically horizontal. The ratio fell between 1890 and 1900 but regained its former level in the decade following 1910. The ratio remained fairly stable until after 1922 when it dropped sharply to 58.2. After 1929, however, the ratio rose rapidly, attaining a post-1890 peak of 78.8 in 1935. A different selection of occupations after 1935 revealed an increase in the South-non-South ratio of wages for all wage earners in

TABLE XVII. SOUTH-UNITED STATES RATIOS OF HOURLY EARNINGS IN SAWMILLS, 1930-1944[a]

Date	Ratio
	Per Cent
May-July 1930	72.4
May-July 1932	66.9
April 1935	70.2
April 1936	63.1
September 1939-April 1940	71.4
February 1943	72.5
March 1944	71.7
July 1944	72.7

Source: Richard A. Lester, "Trends in Southern Wage Differentials Since 1890," Southern Economic Journal, Vol. XI, No. 4, (April, 1945), p. 328.

[a] Sources of data for calculations: U. S. Bureau of Labor Statistics Bulletin No. 586, 1933, p. 6; Monthly Labor Review, XLIV (April 1937) pp. 850-53; Monthly Labor Review, LIII (July 1941), pp. 195, 203; Economic Factors Bearing on the Establishment of Minimum Wages in the Logging, Lumber and Timber and Related Products Industries, Wage and Hour Division, U. S. Department of Labor, August 1943, p. 35 for February 1943 data; typewritten table from U. S. Bureau of Labor Statistics for 1944 data; and "Trend in Employment, Earnings, and Hours" in various issues of the Monthly Labor Review for U. S. averages.

blast-furnace employments from 79.4 per cent in 1935 to 83.1 per cent in 1937.

The trend in the South-non-South wage ratio in the blast furnace industry closely parallels trends in the South-non-South wage ratio in the agriculture and lumber industries prior to 1929; but after 1929, the South-non-South wage-ratio trend in the blast-furnace industry followed the upward trend evident in the cotton textile industry.

f. Furniture. The trend in the South-United States wage ratio in the furniture industry is shown in Tables XVIII and XIX. The trend between 1929 and January, 1944 was practically horizontal, according to Table XVIII. In 1929 the South-United States wage ratio stood at 68.0 per cent. By January 1944 it had dropped slightly to 64.7 per cent, about four percentage points below the 1942 level of the South-United States wage ratio. Two upswings occurred between 1929 and 1944 in the South-United States wage ratio. The first upswing, 1929 to 1934, coincided with the establishment of the National Industrial Recovery Act; the second upswing, between January, 1941 and November 1941, coincided with the establishment of a forty-cent per hour wage minimum under the Fair Labor Standards Act, effective November 3, 1941. In the case of both upswings, however, the rise in the wage rates was cancelled by a subsequent drop.

The trend in the South-United States wage ratio in the furniture industry is shown in Table XIX for two skilled furniture occupations between 1890 and 1937. The trend was downward from 86.3 per cent in 1890 to a fairly stable level in the lower seventy per cents after 1906. An upward spurt in the South-United States wage ratio occurred in 1919;

TABLE XVIII. SOUTH-UNITED STATES WAGE RATIOS IN THE FURNITURE INDUSTRY[a]

Date	Average Wage Rates	Average Hourly Earnings
	per cent	per cent
1929	68.0	65.9
1931	70.6	65.5
1933	77.7	——
1934	83.7	——
Aug. 1935	81.9	——
Sept. 1936	78.1	——
Jan. 1937	74.0	75.8
July 1937	70.9	71.9
Oct. 1937	——	66.9
July 1938	66.7	67.6
Feb. 1939	66.9	68.6
Nov. 1939	68.7	69.8
July 1940	67.3	69.1
Jan. 1941	67.0	70.5
Nov. 1941	72.0	76.1
May 1942	70.3	73.5
Nov. 1942	68.4	73.8
Jan. 1944	64.7	69.0

Source: Richard A. Lester, "Trends in Southern Wage Differentials Since 1890," Southern Economic Journal, Vol. XI, No. 4, (April, 1945), p. 341.

[a] Southern averages from wage-rate and earnings surveys made by the Southern Furniture Manufacturers' Association, except for October 1937 which is based on data in U. S. Bureau of Labor Statistics Bulletin No. 669, 1940, p. 29. Average hourly earnings of the furniture industry as a whole have been used as the base for both the wage-rate and the hourly earnings ratios. These data for the U. S. have been taken from U. S. Bureau of Labor Statistics Bulletin No. 669, 1940, p. 20; and, after 1938, from issues of the Monthly Labor Review under "Trend of Employment and Pay Rolls."

TABLE XIX. SOUTH-UNITED STATES RATIOS FOR TWO FURNITURE OCCUPATIONS[a]

Years	Ratio (per cent)	Years	Ratio (per cent)
1890	86.3	1915	71.3
1891-1906 (av.)	78.2	1919	92.1
1907	74.9	1929	72.1
1911	69.6	1931	73.9
1912	75.0	Oct. 1937	78.3
1913	71.8		

Source: Richard A. Lester, "Trends in Southern Wage Differentials Since 1890," Southern Economic Journal, Vol. XI, No. 4, (April, 1945), p. 331.

[a] Machine woodworkers and cabinet makers and skilled assemblers. South includes the South Atlantic and South Central regions from 1890 to 1907, the two states of North Carolina and Tennessee for the years 1911 to 1931, and all Southern states for October 1937. The numbers of employees in the occupation were used as weights to calculate the ratio for the occupation, and the combined ratio is a simple average of the two occupational ratios. Sources of data: Those listed p. 455 in U. S. Bureau of Labor Statistics Bulletin No. 604, and Monthly Labor Review XXX (April 1930), p. 871 and XXXIV (March 1932), p. 648, and Bulletin No. 669, 1940, p. 72.

but the ratio subsided to its former level a few years later, which level was maintained with but a slight increase between 1931 and 1937. The South-United States ratio in 1937 stood at 78.3 per cent, practically the same as the average ratio of 78.2 per cent which prevailed between 1891 and 1906.

The long-term trend in the furniture industry roughly resembled the trend in the building trades, the lumber, and the blast furnace industries. After 1930 there was an upward trend in the South-United States ratio, but the increase disappeared, in contrast to the seemingly permanent increase in the South-United States ratio in the cotton textile and blast furnace industries.

g. Pulp and paper. The trend in the South-non-South wage ratio in the pulp and paper industry can be traced from 1925 to 1944. A United States Bureau of Labor Statistics' nationwide survey in 1925 and in 1939 showed a spectacular increase in the South-non-South wage ratio from 61.0 per cent in the first half of 1925 to 92.4 per cent late in 1939. The annual Survey of Occupational Wage Rates in the Paper and Pulp Industry, published by the American Paper and Pulp Association showed that the South-non-South wage ratio in the industry rose from 93.3 per cent in 1934, to 94.0 per cent in 1938, to 101.2 per cent in November, 1943.

The upward trend in the South-non-South wage ratio in the pulp and paper industry is unmatched in any other Southern manufacturing industry included in Lester's survey. It falls in a class with the cotton textile and blast furnace industries, as industries in which the South-non-South wage ratio has narrowed since the late nineteen twenties or early nineteen thirties.

It should be noted in passing that the pulp and paper industry has expanded relatively more rapidly in the South than in the rest of the country. Three Southern states, Virginia, Tennessee and Louisiana, increased their share of wage earnings from less than 4.0 per cent in 1925 to about 7.5 per cent in 1939.

h. Hosiery. The trend in the South-non-South wage ratio in the seamless and full-fashioned hosiery industry is shown in Table XX for the period from 1932 to 1944. The South-non-South wage ratio in the seamless hosiery industry rose slowly from 76.4 per cent in 1932 to 77.9 per cent in September, 1938. The seamless hosiery wage ratio, on a different occupational basis, increased sharply from 80.3 per cent to 90.7 per cent during the two years between September, 1938 and September, 1940. From September, 1940 the ratio has remained practically constant. The increase in the ratio between 1938 and 1940 coincided with the twenty-five cent minimum wage effective October 24, 1938, and the thirty-two-and-one-half cent minimum wage effective September 18, 1939.

The North-non-South wage ratio in the full-fashioned hosiery industry rose sharply from 71.6 per cent in 1932 to 87.8 per cent in September, 1938. Between September, 1938 and 1944 the ratio, measured on a different occupational sample, fell from 83.5 per cent to 75.4 per cent, losing some but not all of the ground gained between 1932 and 1938.

Both the seamless and the full-fashioned hosiery industries belong to that group of industries in which the South-non-South wage ratio has

TABLE XX. SOUTH-NON-SOUTH RATIOS FOR SEAMLESS AND FULL-FASHIONED HOSIERY, 1932-1944[a]

Date	Seamless	Full-Fashioned
	per cent	per cent
Early months, 1932	76.4	71.6
September 1938	77.9	87.8*
September 1938	80.3	83.5
September 1940	90.7	——
Last quarter, 1942	90.4	77.4
1943	89.1	74.5
Nine months, 1944	89.8	75.4

Source: Richard A. Lester, "Trends in Southern Wage Differentials Since 1890," Southern Economic Journal, Vol. XI, No. 4, (April, 1945), p. 335.

[a] Ratios calculated from weighted average hourly earnings for knitters (male footers and leggers in full-fashioned, and female transfer knitters in seamless) for four Southern states (North Carolina, Virginia, Tennessee, and Georgia) and eight Northern states (Indiana, Massachusetts, Michigan, Minnesota, Wisconsin, New Jersey, New York, and Pennsylvania) in U. S. Bureau of Labor Statistics Bulletin No. 591, 1933, pp. 72, 73, and in Monthly Labor Review XLIIX (May, 1939), p. 1158 and (June 1939) p. 1397. These knitters' occupations represented 21 per cent of the total hosiery employment in the 1932 sample. The September 1940 ratio for seamless is based on the same mills as the 1938 ratio (see Monthly Labor Review, June 1941, p. 1530). The ratios for October 1942 through September 1944 are based on typewritten monthly series of average hourly earnings in all occupations for both branches divided into North and South (Alabama, Georgia, Kentucky, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, West Virginia, Louisiana, and Texas).

narrowed since the late nineteen twenties or early nineteen thirties. These industries include the cotton textile, blast furnace, and pulp and paper industries, in addition to the hosiery industries.

i. Fertilizer. The South-non-South wage ratio in the fertilizer industry rose from 51.8 per cent in 1938 to 59.1 per cent in January, 1943. The increase in the ratio was gradual and coincided with the increase in the statutory minimum wage to twenty-five cents on October 24, 1938, and to thirty cents on October 24, 1939.

Summary. Lester's survey covered six industries for the entire period between 1890 and 1944, two of which industries lay outside of manufacturing: agriculture and the building trades. Three of these industries -- the lumber, blast furnace, and furniture industries, all manufacturing industries -- showed no increase in the South-non-South wage ratio. In two of the other industries -- agriculture and building trades, both outside of the manufacturing industry -- the trend in the South-non-South wage ratio was downward. In the last industry -- cotton textiles -- the trend in the South-non-South ratio was upward. Looking at the industries as a group the over-all trend in the South-non-South ratios seems to be close to horizontal; and Lester's figures are in agreement with the United States Bureau of Labor Statistics' survey. The conclusion of both studies, in short, is that the large Southern wage differential has shown no tendency to decline with the passage of time.

The long term trends in the Southern wage differentials show no

evidence of having been influenced by unionization. The trend of the South-non-South wage ratio in cotton textiles, a slightly unionized industry, has been up; while the trend in the building trades industry, a highly unionized industry, has been down. The trends in the South-non-South wage ratios has been horizontal in the blast furnace, furniture, and lumber industries; yet the blast furnace industry is more highly unionized than the furniture and lumber industries.

Since the unions had not successfully organized workers in the Southern manufacturing industry before 1933, the effect of unionization on the trend in South-non-South wage ratios can not be properly evaluated except for the period beginning with 1933 and running down to the present time.

For the period from 1930 to 1944 Lester has given figures on the trends in the South-non-South wage ratios for nine industries. In four of these industries the trend in the South-non-South wage ratios was practically horizontal. These industries were the building trades industry, the agricultural industry, the lumber industry, and the furniture industry. Three of these industries — the agricultural, lumber, and furniture industries — were three of the least unionized industries in the South, outside of the field of distribution. The building trades, however, was one of the most highly unionized industries of the South. The industry had been unionized prior to 1930, to be sure; but it found its labor force more highly unionized after 1933. Other things equal, the higher degree of unionization in the industry should have narrowed the South-non-South wage ratio after 1933.

Either unionisation did not have this effect or its affect was counteracted by other forces.

Five of the nine industries surveyed by Lester for the period from 1930 to 1944 experienced rising South-non-South wage ratios during the period. These five industries were the cotton textile, blast furnace, pulp and paper, seamless hosiery, and fertilizer industries. The per cent of unionization in these industries after 1945 ranged from approximately 58.0 per cent in the pulp and paper industry, to 50.3 per cent in the blast furnace industry, to 18.3 per cent in the cotton textile industry, and to 17.7 per cent and 11.5 per cent in the seamless and full-fashioned hosiery industries, respectively. No unionization figures were available for the fertilizer industry. The per cent of unionization in these five industries exceeded the per cent of unionization in the lumber, furniture, full-fashioned hosiery, and agricultural industries — the industries with horizontal South-non-South ratios — in all cases except the seamless hosiery industry, which was perhaps slightly less unionized than the lumber and furniture industries. It is thus seen that in four out of five industries, the rising South-non-South ratio was associated with a relatively high per cent of unionization in the industry labor force.

Among the four industries for which approximate unionization figures are available, does the extent of the rise in the South-non-South wage ratio correspond directly with the relative per cent of unionization? The data showing changes in the South-non-South wage ratios are not homogeneous enough, or comprehensive enough, for valid

comparisons of small degrees of difference. The data roughly indicate that the South-non-South wage ratios have narrowed most since the early nineteen thirties in the pulp and paper industry, the seamless hosiery industry, and the blast furnace industry. Two of these industries, the pulp and paper industry and the blast furnace industry, became two of the most highly unionized manufacturing industries in the South after 1930, a fact indicating that unionization might have been a factor in the narrowing of the regional wage differential. Both of these industries were high wage industries, relatively speaking, and should not have been significantly affected by the minimum wage provision of the Fair Labor Standards Act. The pulp and paper industry has expanded relatively faster in the South than over the nation since 1930; but the blast furnace industry has no more than held its own. The seamless hosiery industry, on the other hand, is an industry characterized by a relatively low per cent of unionization. It is, however, a low-wage industry, and a large share of the rise in the South-non-South wage ratio in the industry can be attributed to the minimum wage provision of the Fair Labor Standards Act. The rise in the South-non-South wage ratio, in fact, coincided with the imposition of the minimum wage provision of the Fair Labor Standards Act.

The full-fashioned hosiery industry and the textile industry did not experience an increase in their South-non-South wage ratios equivalent to the increase of the wage ratios in the pulp and paper blast furnace, and seamless hosiery industries. Neither were these industries so highly unionized as the pulp and paper and blast furnace

industries. The rise in the South-non-South ratio before 1934 in the cotton textile industry came too early to be greatly influenced by unionization. The depression, the National Industrial Recovery Act, and the expansion of the industry in the South between 1924 and 1934 may have been causative factors.

The foregoing analysis is summarized below.

First, unionization since 1933 has not as yet raised the South-non-South wage ratios in the industries surveyed above the level of the ratios in 1890.

Secondly, the trends in the South-non-South wage ratios have been horizontal in four industries and rising in five industries since the early nineteen thirties.

Thirdly, in three of the four industries in which the South-non-South ratios have remained horizontal since the early nineteen thirties, the per cent of unionization is relatively low.

Fourthly, in the five industries in which the South-non-South ratios have risen since the early nineteen thirties, the per cent of unionization is relatively higher than in the industries in which the South-non-South ratios have remained horizontal.

Fifthly, among the five industries with rising South-non-South ratios, the three industries with the most rapidly rising South-non-South ratios are the industries with the highest per cent of unionization, the seamless hosiery industry, in which the minimum wage provision of the Fair Labor Standards Act was the controlling factor, excepted.

Sixthly, the number of industries covered and the nature of the

data render broad generalizations on the data very tentative.

Seventhly, no attempt was made to discover the relationship between productivity and the trends in the South-non-South ratios. This task is saved for a later chapter.

Study of South-non-South wage ratios based on annual earnings in the South and the United States as reported in the Census of Manufacturers of 1919, 1929, 1939, and 1947. The statistical data used in this section are summarized in Tables XXI, XXII, and XXIII.

In Table XXI annual earnings in the South are expressed as a per cent of annual earnings in the rest of the United States in selected manufacturing industries for three different years, 1919, 1929, and 1939. The extent of regional differentials in annual earnings between the South and the rest of the United States for selected occupations in selected industries has already been presented in the preceding section of this chapter dealing with the current extent of wage differentials. The data appearing in that section, being based on selected occupations, are somewhat more precise than the data appearing in Table XXI, which are based on all occupations in rather broad census classifications. Because of the greater preciseness of the former figures, they were used in the analysis of existing wage differentials.

A comparison of the Tables XXI and XII, although the industry classifications of each table are not comparable, reveals no startling discrepancies. The relative ranks of similar industries do not vary greatly and the range of the wage ratios correspond roughly. As might

TABLE XXI. SOUTH-NON-SOUTH WAGE RATIOS IN SELECTED UNITED STATES CENSUS INDUSTRY GROUPS, 1919, 1929, and 1939

Industry	South-Non-South Wage Ratio		
	1939	1929	1919
Cigars and Cigarettes	122.4	109.3	109.2
Rayon and Allied Products	104.3	78.4	----
Petroleum Refining	92.2	85.1	89.8
Pulp Mills	92.0	83.6	----
Boots and Shoes	91.7	68.4	62.7
Paper	90.1	91.4	----
Chewing and Smoking Tobacco	84.9	76.7	60.2
Knit Goods	83.5	58.0	49.7
Woolen and Worsted Goods	83.1	68.7	61.5
Cement	82.4	70.4	67.6
Cast Iron Pipe and Fittings	82.1	81.0	89.8
Cotton Woven Goods	80.2	67.8	79.6
Wood Products (not elsewhere classified)	80.1	70.0	83.1
Chemicals (not elsewhere classified)	79.4	85.6	76.4
Shirts	78.7	71.4	68.2
Dyeing and Finishing Textiles	76.0	61.3	54.0
Cordage and Twine	73.4	62.8	69.8
Meatpacking	73.0	82.4	74.3
Bread and Bakery Products	72.9	77.7	75.1
Furniture	68.4	63.8	71.5

TABLE XXI. (Continued)

Wood Preserving	68.3	84.3	86.0
Men's Clothing	66.4	50.9	——
Clay Products	63.8	65.8	74.9
Planing Mills	59.1	63.8	76.2
Wooden Boxes (except Cigar Boxes)	55.2	64.9	92.3
Canned and Dried Fruits and Vegetables	54.6	59.1	57.7
Fertilizer	52.5	61.3	61.7
Lumber and Timber Products (not elsewhere classified)	46.2	57.6	84.1
All Industries	69.0	64.1	77.5

Source: Census of Manufactures, 1919, 1929, and 1939.

be expected, the range by which the lowest South-non-South wage ratio varies from the highest South-non-South ratio in Table XXI is somewhat broader than the range of variation in Table XII.

The per cent changes in the South-non-South wage ratios between 1919 and 1939 are shown in Table XXII. The table shows that the South-non-South wage ratio was rising in fifteen industries, while it was falling in only twelve industries. For all industries, however, there was a decline of 11.0 per cent in the South-non-South wage ratio. The decline conforms with the decline of 1.5 per cent in the South-Northeast ratio given in Table XV for the period between 1919 and 1945-46. The per cent decrease in the South-non-South wage ratio in Table XXII might have been less if the period covered had been extended from 1939 to 1945-46.

The industries in which the South-non-South ratio was rising were grouped into the following categories: six textile industries, three apparel industries, two tobacco industries, the cement industry, the wood pulp industry, and the chemicals (not elsewhere classified) industry. The increases ranged from 0.8 per cent in the cotton woven goods industry to 68.0 per cent in the knitwear industry. The increases were fairly evenly distributed within the 0.8 per cent to 68.0 per cent range of increase.

The industries in which the South-non-South wage ratio was falling were grouped into the following categories: five wood processing industries, the lumber and timber (not elsewhere classified) industry, the paper industry, the meatpacking industry, the canned and

TABLE XXII. TRENDS IN SOUTH-NON-SOUTH WAGE RATIOS, 1919 TO 1939, IN SELECTED INDUSTRIES

Industry	Per cent Increase in South-Non-South Wage Ratio 1919-1939
Knitwear	68.0
Boots and Shoes	46.4
Chewing and Smoking Tobacco	41.2
Dyeing and Finishing Textiles	40.9
Woolen and Worsted Goods	35.1
Rayon and Allied Products	33.1
Men's Clothing	30.6
Cement	21.9
Shirts	15.4
Cigars and Cigarettes	12.1
Pulp Mills	10.0
Cordage and Twine	5.1
Chemicals (not elsewhere classified)	3.9
Petroleum Refining	2.5
Cotton Woven Goods	0.8
Paper	-1.5
Meatpacking	-1.8
Wood Products (not elsewhere classified)	-3.6
Furniture	-4.3
Canned and Dried Fruits and Vegetables	-5.5
Cast Iron Pipe and Fittings	-8.6
Clay Products	-14.8
Fertilizer	-14.9
Wood Preserving	-20.6
Planing Mills	-22.4
Wooden Boxes (except Cigar Boxes)	-40.2
Lumber and Timber Products (not classified elsewhere)	-45.0
All Industries	-11.0

Source: Census of Manufactures, 1919 and 1939.

dried fruits and vegetables industry, the cast iron pipe and fittings industry, the clay products industry, and the fertilizer industry.

It should be noted that the two industry categories -- textiles and apparel -- in which the largest number of industries with rising South-non-South wage-ratios fell were industries in which employment was rapidly expanding in the South; while the industry category -- wood processing and lumber and timber products -- into which the largest number of industries with declining South-non-South wage-ratios fell was an industry in which aggregate employment was contracting in the South.

The per cent changes in the South-non-South ratios in the same selected industries are shown in Table XXIII for the period from 1929 to 1939. The table also shows the per cent of unionization as of 1945 to 1948 for some of the industries. As the unionization data are for a later year than the wage-ratio data, and as the industry classifications for the unionization and wage-ratio data are somewhat different, the relationship between unionization and the size of the South-non-South wage-ratio may not be clearly revealed. In Table XXIV the South-non-South wage-ratios in major census classifications for the period from 1929 to 1947 are compared with the extent of unionization in these industry groups in 1948.

The South-non-South ratio of annual wages for all workers in twenty-eight large Southern manufacturing industries rose 7.6 per cent between 1929 and 1939. The South-non-South ratio of annual earnings increased in seventeen of the twenty-eight industries between 1929 and 1939. The South-non-South ratio of annual earnings increased

TABLE XXIII. TRENDS IN SOUTH-NON-SOUTH WAGE RATIOS, 1929-1939, COMPARED WITH PER CENT OF UNIONIZATION IN EACH SELECTED INDUSTRY

Industry	Per cent Change in South-Non-South Wage Ratio	Per Cent of Unionization
Knit Goods	44.0	28.8*
Boots and Shoes	34.1	4.9**
Rayon and Allied Products	33.1	----
Men's Clothing	30.6	----
Dyeing and Finishing Textiles	24.0	33.4*
Woolen and Worsted Goods	20.9	11.1*
Cotton Woven Goods	18.3	30.5*
Cement	17.0	17.4*
Cordage and Twine	16.8	30.5*
Wood Products (not elsewhere classified)	14.5	----
Cigars and Cigarettes	12.0	64.6*
Chewing and Smoking Tobacco	10.7	----
Shirts	10.2	21.4*
Pulp Mills	10.0	58.0*
Petroleum Refining	8.3	----
Furniture	7.1	17.3*
Cast Iron Pipe and Fittings	1.3	----
Paper	-1.5	58.0**
Clay Products	-2.9	28.5*
Bread and Bakery Products	-6.2	27.3*
Chemicals (not elsewhere classified)	-7.2	7.3**
Planing Mills	-7.3	----
Canned and Dried Fruits and Vegetables	-7.6	----
Meatpacking	-11.4	47.4*
Fertilizer	-14.4	----
Wooden Boxes (except Cigar Boxes)	-15.0	----
Wood Preserving	-19.0	----
Lumber and Furniture Products (not elsewhere classified)	-19.8	12.3
All Industries	7.6	

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

*These estimates were derived from the United States Bureau of Labor Statistics' Wage Structure series. They count as union members all workers in unionized plants.

**These estimates were taken from Table II at the end of Chapter I.

in seventeen of the twenty-eight industries between 1929 and 1939; while it declined in eleven of the twenty-eight industries. The largest number of the industries in which the South-non-South ratio of annual earnings was rising were in the textile and apparel group. The largest number of the industries in which the South-non-South ratios of annual earnings was falling were lumber and wood processing industries.

A comparison of the trend between the South-non-South wage ratios and the per cent of unionization in each industry reveals no apparent causal interrelationship between unionization and the trend in the South-non-South wage ratios. A further analysis of the relationship between unionization and the trend in the South-non-South wage ratios will be made of the data appearing in Table XXIV.

In Table XXIV trends in South-non-South annual earnings ratios from 1929 to 1947 are compared with the degree of unionization in the South in 1948 for major census industry groups. The data reveal an extremely broad range of change in the South-non-South ratios of annual earnings. The South-non-South annual-earnings ratio in the textile industry in 1947, for example, was only 65.9 per cent of the South-non-South annual-earnings ratio in 1929. The decline in the ratio indicated that the Southern wage differential in the textile industry, as measured by annual earnings per worker, was increasing in magnitude. On the other hand, the South-non-South annual-earnings ratio in the lumber products and furniture industry was 115.1 per cent greater in 1947 than in 1929, indicating that the Southern wage

TABLE XXIV. TRENDS IN SOUTH-NORTH ANNUAL EARNINGS RATIOS, 1929 to 1947, COMPARED WITH DEGREE OF UNIONIZATION IN THE SOUTH IN 1948, BY MAJOR INDUSTRY GROUPS

Industry	Change in South-North Annual Earnings Ratio 1929-1947 (1929 = 100.0)	Estimates of Per Cent of Unionization
Lumber Products and Furniture	215.1	12.3
Printing, Publishing, and Allied Products	146.0	13.8*
Chemicals and Allied Products	130.8	7.3
Miscellaneous Industries	117.2	---
Food and Kindred Products	112.5	30.0
Products of Petroleum and Coal	112.3	---
Paper and Allied Products	111.9	58.0
Stone, Clay and Glass Products	106.8	17.4
Leather and Leather Products	106.5	4.9
Iron, Steel, and Non-Ferrous Metals	105.4	50.3
Transportation Equipment	99.5	50.3
Machinery	97.9	50.3
Textiles	65.9	18.3

* Excludes membership of International Printing Pressmen and Assistants' Union of North America (AFL)

Source: Census of Manufactures, 1929 and 1947

differential in the industry, as measured by annual earnings per worker, was rapidly growing smaller.

No apparent relationship between the trend in the South-non-South ratios of annual earnings between 1929 and 1947, on the one hand, and the extent of unionization in the industry groups in 1948, on the other hand, is revealed in Table XXIV. Apparently, factors other than unionization have a controlling influence over the trend of South-non-South ratios of annual earnings.

CHAPTER V

ECONOMIC CAUSES OF SOUTHERN WAGE DIFFERENTIALS AND THE PROBABLE ECONOMIC CONSEQUENCES OF THEIR ELIMINATION

INTRODUCTION

The development of trade unionism in the South has been traced, and the impact of trade unionism on the wage structure of selected Southern manufacturing industries has been measured. The stage has been set for the examination of the economic consequences which will flow from the trade unions' future impact on the wage structure of the Southern manufacturing industry. The study goes no further. The analysis does not attempt to evaluate the institution of trade unionism as a complete economic, sociological and political entity.

No analysis of the past effect of trade unionism on the economic development of the Southern manufacturing industry is made. Important reasons exist for the omission of such an analysis. First, the period of the existence of trade unions in the Southern manufacturing industry, as an influential factor, has been historically too brief for an adequate evaluation of their impact on the development of the Southern manufacturing industry. Trade unionism was practically nonexistant in the Southern manufacturing industry until 1933. The period from 1933 to 1949 has been too short for the unions to have obtained their economic objectives. An organizational base must be laid before long-range policy can be executed. Secondly, the war has so affected the

American economy since 1940 that the effects of other factors have been substantially submerged, counterbalanced, or exaggerated. Thirdly, so many factors, even excluding war, affect the economic development and geographical location of the manufacturing industry that inductive research is under a severe handicap.

The main problem considered here is the analysis of the probable economic consequences that would flow from the elimination of the regional wage differentials in the Southern manufacturing industry by trade union action. The complete and rapid elimination of the Southern wage differentials in the manufacturing industry is one of the most oft-repeated objectives of the national unions. A reading of the union literature that accompanied the drive of the two great national federations in the South reveals that this objective was the main propaganda "line" used to appeal to Southern workers in the unions' organizational efforts. This chapter now turns to the analysis of the economic consequences that would likely flow from the elimination of the regional wage differentials in the Southern manufacturing industry. The analysis is essentially long-run. The analysis is inductive in its evaluation of the historical causes of the regional wage differentials in the Southern manufacturing industry. It is deductive in its evaluation of the economic justification[1] for the historical causes of the Southern wage differentials,[2] and of the economic consequences that would flow

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[1] Economic justification exists for any economic phenomenon, according to this study, if it tends to produce a maximum of physical output with a minimum of physical input.

[2] The "Southern wage differentials" as used henceforth will mean the wage differentials in the Southern manufacturing industry.

from their elimination.

In assessing the economic consequences of the elimination of the Southern wage differentials, this chapter is divided into five sections.

In the first section the economic theory of regional wage differentials is developed, and the economic justification for the different hypothetical causes of regional wage differentials is examined. The theoretical development of the causes of regional wage differentials, and the examination of the extent to which they are economically justified, provides both a frame of reference for the analysis of the historical causes of Southern wage differentials and criteria for predicting the economic consequences of their elimination.

In the second section the historical causes of the Southern wage differentials are examined in the frame of reference provided by the previously developed theory of regional wage differentials.

In the third section the economic consequences of the elimination of the Southern wage differentials are predicted. The predictions are made in the light of the criteria erected for the determination of the economic justification for the different causes of regional wage differentials.

In the fourth section the relative impact of the elimination of the Southern wage differential in different individual Southern manufacturing industries is measured by examining the relative proportion which labor costs bear to total costs in the industry, and the relative productivity of labor in the industry.

In the fifth section the existence of the general factors that

might offset, to a greater or lesser extent, the economic consequences of the elimination of the Southern wage differentials is examined.

THE THEORY OF REGIONAL WAGE DIFFERENTIALS AND THE EXTENT OF THEIR ECONOMIC JUSTIFICATION

Introduction. The theory of regional wage differentials[3] was briefly stated in the preceding chapter. The purpose here is to give a more complete restatement of the economic theory of regional wage differentials, and to state the theory in terms of the economic justification for the various hypothetical causes of regional wage differentials. The various hypothetical causes of regional wage differentials which are discussed in this chapter are the following: (1) interregional differences in labor skill, (2) interregional differences in the cost of living, (3) interregional differences in labor supply relative to job opportunities, (4) interregional differences in the composition of the labor force, (5) interregional differences in the nature of the finished product, (6) interregional differences in the amount of capital equipment used per worker, (7) interregional differences in the managerial skill with which production is organized, (8) interregional differences in the degree of competition on the buyers' side of the labor market, and (9) interregional differences in the degree of competition on the sellers' side of the labor market.

Marginal productivity theory of wages. Under marginal productivity theory of wages it is assumed that there is pure competition on both the

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[3] In the theoretical discussion which follows regional wage differentials are taken to mean regional differentials in wage rates for similar occupations.

buyers' and sellers' side of the labor market, sufficient knowledge of labor market conditions by workers to lead them to shift employment until they have maximized their wage income, sufficient knowledge of labor market conditions by employers to lead them to pay no more than necessary for labor, sufficient mobility of workers to cause them to shift employment until they have maximized their wage income, and homogeneity of skill among the workers in each particular grade of labor. Under these assumptions employers, intent upon maximizing profits, will ostensibly hire workers until the value of the product of the marginal worker is equal to the market price of his services. Competition among employers will bid up the price of labor to a point where the market price of a unit of labor is equal to its productivity in its marginal use. Competition among workers will prevent the price of one unit of labor of a given grade from rising above the price paid for any other unit of labor of the same grade. The wage of a single unit of any given grade of labor is, therefore, determined by its productivity in its marginal employment; and the wages of all units of labor of a given grade are equal.

An explanation of regional wage differentials is not to be found in the marginal productivity theory of wages, as stated in the preceding paragraph. The causes of regional wage differentials, therefore, lie beyond the direct explanation of marginal productivity theory. Regional differentials, however, can be indirectly accounted for by the removal of the strict assumptions of marginal productivity theory. This technique is followed in the discussion of the hypothetical causes of

wage differentials, which follows below.

Interregional differences in the skill of labor. One possible reason for interregional differences in wages arises from the existence of regional differences in the skill of labor employed in the same occupation. Differences in skill are directly translated into differences in the productivity of labor, and through the competitive operation of the labor market, into wage differentials. Differences in skill constitute a possible reason, not only for regional differentials in wages, but also for intraregional and intraplant differentials in wages in the same occupation.

There is strong economic justification for wage differentials directly adjusted to differences in skill, whether or not such differences in skill may be the result of native ability, or of mere intensity of effort. The wage differential is the economic incentive for the exercise of the skill differential. If there were no wage differential, in such a case, there would very likely be no skill differential, and no differential in productivity.

Interregional differences in the cost of living. Interregional differences in the cost of living (on an equivalent scale) are another possible cause of regional wage differentials. According to orthodox wage theory, the differentials in living costs would attract workers to the region of low living costs, assuming initial wage equality. The rising supply of labor in the region of low living costs would reduce the productivity of labor in its marginal employments in the region of low living costs, and, therefore, the level of wages in the region of low living costs. A regional wage differential based on a

lower cost of living would not tend to disappear, even in the long-run. This fact is true for the causes of the lower living costs would tend to be permanent. For example, a warmer climate in a region of low living costs would enable equivalent standards of housing, clothing and nutrtion to be achieved at a lower cost; or lack of natural resources in a region of high living costs would necessitate the absorption of high transportation costs on goods produced from raw materials scarce to, or absent from, the region of high living costs.

Are interregional differences in the cost of living justification for regional wage differentials? The answer is certainly "yes"; otherwise, the economic allocation of the labor factor to the region of low living costs would not occur, and the resource of "warm climate" would not be economically utilized.

Interregional difference in labor supply relative to job opportunities. Another possible cause of regional wage differentials arises from interregional differences in labor supply relative to job opportunities. Such a condition might arise as the result of a higher net reproduction rate in one region than in another, the more rapid creation of jobs in one region than another, or shifts in population because of noneconomic factors. Such a difference in labor supply relative to job opportunity reduces the productivity of labor in its marginal employments in the region where the labor-supply-to-job-opportunity ratio is high. The reduction in labor productivity, in turn, leads to a reduction in wages in the region of the high-labor-supply-to-job-opportunity ratio.

The reduction in labor productivity is the inevitable product of the failure of labor to flow rapidly from the region of relative excess labor supply to the region of relative scarcity of labor. Because of the failure of the labor factor to flow rapidly enough from one region to another, wage differentials arise. The immobility of the labor factor produces widening wage differentials that tend automatically to increase labor mobility, and result in a more economic allocation of the labor factor. The elimination of the wage differentials under such conditions would remove one of the automatic forces of competition which tends to produce the most economic allocation of the labor factor of production. Economic justification for regional wage differentials exists under such circumstances.

Interregional differences in the composition of the labor force. A fourth possible cause of regional wage differentials arises from the existence of interregional differences in the composition of the labor force. Differences in the composition of the labor force exist when, in the respective labor forces of different regions, different proportions of workers are found in classifications of workers according to sex, race, country of birth, et cetera. The most important differences in composition of the labor force at the present time probably consist of differences in sex and race. If one region has a proportionally greater number of women, or Negroes, in certain industries than another region, it is possible that wages in these industries in the former region may be lower than wages in the corresponding industries in the latter region. The reasons for the lower wage level in the region with

the relatively heavy concentration of women, or Negro, workers may be varied. The women, or Negroes, may be less skilled or less productive than men, or whites, in the same occupations. Or, the women, or Negroes, may receive lower wages than the men, or whites, because of custom.

The way in which interregional differences in skill or unionization result in regional wage differentials, and the economic justification for such causes of wage differentials, are discussed under separate headings. The justification for wage differentials based purely on custom is discussed here. From an economic viewpoint such causes of regional wage differentials are entirely unjustified. Wages paid on the strength of custom kill initiative in workers discriminated against, and yield unwarranted economic profits to those in a position to exploit the workers who are limited in their earning capacity by the force of custom. "Custom," as used here, is broadly equivalent in meaning to lack of knowledge of working conditions, and might be entirely subsumed under the heading that deals with differentials in unionization as a cause of regional wage differentials.

Interregional differences in the nature of the finished product, the amount of capital equipment used per worker, and the managerial skill with which production is organized. Three additional causes of regional wage differentials arise out of interregional differences in the nature of the finished product of the same industry, the amount of capital equipment used per worker, and the managerial skill with which production is organized. As these causes of regional wage differentials are related, they are discussed under the same general heading.

Differences in the nature of the finished product may require differences in labor skill. Goods of high quality, say hand-felled men's suits, frequently require workers of greater skill. If regions tend divergently to the production of high, or low quality goods, and, if the skill of the work force in one region is correspondingly greater than the skill of the work force in the other region, wage differentials may exist on the basis of skill, as explained at an earlier point.

Differences in the nature of the finished product may require differences in the amount of capital equipment used per worker. Differences in the amount of capital equipment used per worker may increase the productivity of workers in a given industry in one region above the productivity of workers in the corresponding industry in another region. The movement of labor between the two regions should reduce the capital-to-labor ratio to equality; but it is likely that differentials in the amount of capital equipment used per worker between regions may be coupled in the real world with labor immobility between regions, which would produce regional wage differentials. Or, differentials in the amount of capital equipment used per worker between regions may be coupled with monopoly on the sellers' side of the labor market (unionization) to produce wage differentials. Regional industries, in effect, are confined solely to the labor supply in their own region. Regional labor markets become completely separate markets, and wages are separately determined by the marginal productivity of each grade of labor in each respective region.

The economic justification for regional wage differentials based upon a combination of differences in the amount of capital equipment used per worker in the same industry, and labor immobility, is considered at this point. Regional wage differentials based upon a combination of differences in the amount of capital equipment used per worker, and labor immobility, are economically justified. Only by the existence of such wage differentials can labor be attracted to areas of heavier capital concentration, where its productivity will be high; and only by the existence of such wage differentials can capital be attracted to areas of heavier labor concentration, where its productivity will be higher.

A third cause of regional wage differentials stems from interregional differences in the degree of managerial skill used in the organization of production. If one region is more richly endowed with managerial talent than another, the productivity of labor in that region will be proportionately higher, and wages will be proportionately higher. Of course, labor might, in theory, be sufficiently mobile to move to the region of higher managerial talent in sufficient magnitude to equalize the marginal productivity of labor in the two regions.

As in the case of regional wage differentials based upon differences in the amount of capital equipment per worker, regional wage differentials based upon differences in the degree of managerial skill are justified. The wage differentials, as in the previous case, stand as an invitation to labor to move to the region of greater managerial skill and higher wages, and to skilled management to move to the region of lower wages.

Interregional differences in the degree of competition existing on the buyers' side of the labor market. Another cause of regional wage differentials arises from interregional differences in the degree of competition on the buyers' side of the labor market. The idea seems incongruous, if one looks at each region as a whole; for in an entire region there are probably hundreds, or even thousands, of employers for any given occupation. The idea appears more reasonable, however, when one realizes that the concept of a regional labor market is a theoretical construction. The regional labor market is in fact a congeries of local labor markets; and the characteristics of the theoretical regional labor market is the sum total of the characteristics of the local labor markets of the region. The characteristics of the local labor markets may vary, too, from region to region. One region may have local labor markets, for example, which are built around cities of an average population of three hundred thousand; while another region may have local labor markets which are built around cities of an average population of fifty thousand. The region with cities of an average population of three hundred thousand may have local labor markets that are competitive for practically all occupations because of the large number of employers in local labor markets; while the region with cities of an average population of fifty thousand may have local labor markets that are not competitive for all occupations because of the small number of employers for certain occupations. Assuming such diversity in the degree of competition on the buyers' side of the labor market, regional wage differentials can arise. Workers in the region of the labor markets that are built around the

cities of fifty thousand average population may receive less than the value of the product of the marginal workers in each occupation because of labor immobility and an insufficient number of employers to bid wages up to the point where they would equal the value of the marginal product.

Regional wage differentials based upon differences in the degree of competition on the buyers' side of the labor market are not economically justified. There is exploitation of labor in such circumstances. Economic profits are too large, and wages too low. Functional distribution, based on productivity, is undermined. Economic motivation is weakened. One point should be made, however, in connection with the existence of such wage differentials. It is that the wage differentials offer one of three methods of eliminating the exploitation of labor. The other two remedies are trade union and government action. In the absence of the two latter remedies, and as a matter of practical policy, the existence of the differentials might be partially justified on economic grounds. The existence of the differential would cause an inward flow of capital to the low-wage region and an outward flow of labor to the high-wage region, which would tend to eliminate the regional wage differential. Such an elimination of the regional wage differential, however, would lead to an uneconomic location of industry.

Interregional differences in the degree of competition existing on the sellers' side of the labor market. Another cause of regional wage differentials arises from interregional differences in the degree of competition on the sellers' side of the labor market. Interregional differences in the degree of competition on the sellers' side of the labor market may arise out of interregional differences in the degree

of unionization, knowledge of labor market conditions, or mobility of labor. Unions, through control of labor supply, frequently have the power to drive wages in a highly unionized region above wages in a lowly unionized region. Laborers in one region, who have less knowledge of labor market conditions, or who are more averse to shifting their place of employment, than workers in another region, may subject themselves to exploitation. In doing so, they cause themselves to be paid lower wages than the workers in the other regions.

Whether or not regional wage differentials, based upon differences in the degree of unionization between two regions, are economically justified, depends upon how the workers in the more highly unionized region achieved their higher wage level. If the wage level in the high-wage region was achieved by increasing wages to the point where they equalled the productivity of labor in its marginal employments in that region, the higher wages and the resulting regional wage differentials, would be economically justifiable. The existence of the higher wage level in one region would lead to a distribution of income according to productivity in the high-wage region, and would stimulate the organization of labor in the low-wage region. The existence of the wage differentials would have one untoward effect. It would contribute to the geographic maldistribution of industry and labor supply, because capital would be attracted to the low-wage region, and labor to the high-wage region without basic economic justification.

On the other hand, the unions in the high-wage region might have achieved a higher wage level by raising wage rates above the level

justified by productivity, producing unemployment and/or reducing other factor returns. In such a case the regional wage differentials are in no way economically justified. Their existence is likely to produce unemployment and the uneconomic allocation of resources between the two regions.

Regional wage differentials resulting from regional differences in lack of knowledge of labor market conditions, or labor mobility, are also economically unjustified. They lead to the exploitation of labor and to the distribution of income according to factors other than productivity in the low-wage region, and to the uneconomic distribution of resources between regions.

HISTORICAL CAUSES OF THE SOUTHERN WAGE DIFFERENTIALS IN THE MANUFACTURING INDUSTRY

Introduction. The purpose of this section is to examine the historical causes of the Southern wage[4] differentials in the manufacturing industry. The historical causes of the Southern wage differentials in the manufacturing industry are discussed under the following headings: (1) labor supply relative to job opportunities, (2) composition of the labor force, (3) cost of living, (4) monopoly on the buyers' side of the labor market, (5) monopoly on the sellers' side of the labor market, and (6) skill of workers, efficiency of management, and capital equipment per worker employed in production.

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[4] "Southern wage differentials" mean differentials in wage rates for similar occupations, except where otherwise specifically defined.

Labor supply relative to job opportunities. There is no economic index which will measure the ratio of labor supply to job opportunities in a particular region, and allow comparison with similar ratios for other contiguous regions. Labor supply and job opportunities are interacting variables. Reliance upon such indices, therefore, involves a large element of circular reasoning, particularly if there is free movement of population between regions.

Nevertheless, an understanding of the basic trends in the net reproduction rate, interregional migration, population, and size of labor force is necessary in an over-all evaluation of the causes of regional wage differentials in the manufacturing industry, or in all industry, especially if the wage differentials are as pervasive as those that exist between the South and the rest of the United States.

It is a well-known fact that the South is the "seedbed" of the nation. The net reproduction rate (the ratio of births to deaths) in the South during the period from 1905 to 1914, for example, was 161.0 per cent as compared with 122.0 per cent in the North, and 117.0 per cent in the West. The net reproduction rate in the South fell to 118.0 per cent during the period from 1935 to 1940; but there were corresponding declines in the net reproduction rate from 122.0 to 87.0 per cent in the North, and from 117.0 per cent to 94.0 per cent in the West.[5] With the swift upsurge in the net reproduction rate after 1940, the South more than maintained its relative position with a net reproduction rate of 248.6 per cent from 1940 to 1945, as compared with a rate of 170.5 per

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[5] Sophia C. Mandelsohn and Lester M. Pearlman, "Labor Supply in the South," Labor in the South, Bulletin No. 898 of the United States Department of Labor (Washington, D. C.: Government Printing Office, 1947), p. 23.

cent for the rest of the nation.[6]

It might be expected that the consistently higher net reproduction rate in the South, than in the rest of the United States, would have led to a more rapidly increasing population in the South, than in the rest of the United States. Such an expectation was not fulfilled by actual trends in population. The total population of the South rose from 21,954,000 in 1900 to 37,013,000 in 1940; while the population of the rest of the United States rose from 54,140,000 to 94,656,000[7] over the same period. Expressed in terms of an index of the South-non-South population ratio (the year 1900 equal to one hundred), the population of the South was not increasing as rapidly as the population of the rest of the nation. The index of the South-non-South population ratio, for example, stood at 96.4 in 1940.[8]

The period from 1900 to 1940 conceals two divergent trends in the South-non-South population ratio. The first trend was from 1900 to 1920, when the index of the South-non-South population ratio fell from 100.0 in 1900, to 95.7 in 1920, and to 93.5 in 1930. The trend indicated that population was increasing more slowly in the South than in the rest of the United States. The second trend was from 1930 to 1940, when the index of the South-non-South population ratio rose from 93.5 in 1930 to 96.4 in 1940.

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[6] Compiled from annual reports of the United States Bureau of Vital Statistics.

[7] See Table XXV.

[8] See Table XXVI.

TABLE XXV. POPULATION IN THE SOUTH AND IN THE UNITED STATES, EXCEPT THE SOUTH, 1900 TO 1940

Population Classification and Geographical Area	1900	1920	1930	1940
		(000 omitted)		
Total Population				
South	21,954	29,764	33,836	37,013
U. S. except South	54,140	76,702	89,241	94,656
Male Population				
South	11,109	15,076	16,984	18,459
U. S. except South	27,760	39,219	45,295	47,603
Female Population				
South	10,845	14,688	16,852	18,554
U. S. except South	26,380	37,483	43,946	47,054
White Population				
South	14,342	21,732	24,900	27,651
U. S. except South	52,559	73,779	85,661	90,564
Non-White Population				
South	7,612	8,032	8,936	9,362
U. S. except South	581	2,923	3,580	4,092

Source: Sixteenth Census of the United States, Census of Population.

TABLE XXVI. TRENDS IN SOUTH-NON-SOUTH POPULATION RATIOS, 1900 TO 1940

Population Classification	1900		1920		1930		1940	
	Ratio	Index of Ratio	Ratio	Index of Ratio	Ratio	Index of Ratio	Ratio	Index of Ratio
Total Population	40.6	100.0	38.8	95.7	37.9	93.5	39.1	96.4
Male Population	40.0	100.0	38.4	96.1	37.5	93.7	38.8	97.0
Female Population	41.1	100.0	39.2	95.3	38.4	93.3	39.4	95.8
White Population	27.3	100.0	29.5	107.9	29.1	106.5	30.5	111.8
Non-White Population	481.5	100.0	274.8	57.1	249.6	51.8	228.8	47.5

Source: Twelfth, Fourteenth, Fifteenth, and Sixteenth Census of the United States, Census of Population.

Since the Southern population did not increase as rapidly as the population of the rest of the United States, even though the net reproduction rate was higher in the South, Southerners undoubtedly migrated from the region in large numbers between 1900 and 1940. Statistics bear out this conclusion. During the 1920 to 1930 decade, for example, the number of people leaving the South exceeded the number of people entering the South by an average of 130,000 people each year of the decade. During the depression of the 1930s, the net out-migration, though reduced, was maintained at a level of one hundred thousand annually.[9]

During the period from 1940 to 1945, Southern births exceeded Southern deaths by 2,580,977; while births in the rest of the United States exceeded deaths by 3,760,023.[10] If these differences between births and deaths in the two areas are added to the 1940 populations of the two areas, the index of the South-non-South population ratio would rise to 99.0. There occurred, however, during the same period, a net migration of over 850,000 people from the Southern region to other regions.[11] As a result, the net addition to the population of the South during the period was 1,730,977, instead of 2,580,977; while the net addition to the population of the rest of the United States was 4,610,023, instead of 3,760,023. If the net additions to the

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[9] Mendelsohn and Pearlman, op. cit., p. 16.

[10] Compiled from annual reports of the United States Bureau of Vital Statistics.

[11] Mendelsohn and Pearlman, op. cit. p. 19.

population, instead of the difference between births and deaths, are added to 1940 population in the South, and in the remainder of the United States, the index of the South-non-South population ratio would fall slightly to 96.1. Immigration from foreign countries, which was insignificant during the period from 1940 to 1945, was not taken into account in the preceding estimates.

The trend in the South non-South population ratio is paralleled by the trend in the South-non-South labor-force ratio. From an index reading of 100.0 in 1900, as shown in Table XXVII, the South-non-South labor-force ratio fell to an index reading of 89.4 in 1940. After 1930, however, the trend in the South-non-South labor-force ratio was upward, the index of the ratio rising from 86.1 in 1930 to 89.4 in 1940.

Quite divergent trends in South-non-South labor-force ratios are revealed in Table XXVII between the agricultural, forestry, and animal husbandry industry, on the one hand, and other major census classifications of industry, on the other hand. An analysis of the table reveals that the South-non-South labor-force ratio in the agricultural, forestry, and animal husbandry industry declined; while the South-non-South labor force ratios for all other major census groups of industries rose. It is further shown in Table XVII that the proportion of the labor force in the South in the agricultural, forestry, and animal husbandry industry declined between 1900 and 1940; while the proportion of workers in all the other major census industry groups increased.

What conclusions can be drawn from the foregoing data on population, reproduction rate, and labor force concerning the effect of these factors on Southern wage differentials?

TABLE XXVII. TRENDS IN SOUTH-NON-SOUTH LABOR FORCE RATIOS, 1900 TO 1940

Industry Group	1900		1930		1940	
	Ratio	Index	Ratio	Index	Ratio	Index
All Industry	40.9	100.0	35.2	86.1	36.6	89.4
Agriculture, Forestry and Animal Husbandry	113.8	100.0	103.4	90.9	99.7	87.6
Mining	13.8	100.0	29.5	213.9	37.1	269.3
Manufacturing and Construction	16.6	100.0	20.7	124.7	22.8	137.4
Transportation	22.8	100.0	26.7	116.9	25.4	111.1
Trade	18.6	100.0	20.3	109.0	25.5	136.9
Domestic and Personal Service	34.5	100.0	36.4	105.4	47.0	136.3
Public Service	22.5	100.0	26.6	118.2	29.3	130.3
Professional Service	22.7	100.0	23.4	102.8	26.2	115.2

Source of basic data: Twelfth, Fifteenth, and Sixteenth Census of the United States, Census of Labor Force.

The most important conclusion to be drawn, it would seem, is that no significant changes have occurred in the size of the Southern population, or labor force, relative to the population or labor force of the rest of the United States, to cause a substantial change in Southern wage differentials. In regard to the rate of growth of both population and labor force, the South has failed to keep pace with the nation. This fact would tend to reduce the Southern wage differentials, other things equal.

The occurrence of no significant changes in the size of the Southern population and labor force, relative to the population and labor force of the rest of the nation, to cause a substantial change in the South-non-South wage differentials in the manufacturing industry, or in all industry, is well in accord with the actual trend in the South-non-South wage differentials between 1900 and 1940. The trend in the South-non-South wage differentials, it will be remembered, was practically horizontal between these two dates. As other factors also can influence the South-non-South wage differentials, it is invalid to assume a complete causal relationship between population and labor force dynamics, on the one hand, and the trend in the Southern wage differentials, on the other hand.

Composition of the labor force. Interregional differences in the composition of the labor force can produce regional differentials in wages, as was pointed out in the preceding section of this chapter. It is the purpose of this study to compare the South with the rest of the United States, in respect to the composition of its labor force,

TABLE XXVIII. CHANGES IN PROPORTION OF SOUTHERN WORKERS IN MAJOR INDUSTRY GROUPS IN THE LABOR FORCE, 1900 TO 1940

Industry	1900 Per cent of Workers	1900 Index	1930 Per cent of Workers	1930 Index	1940 Per cent of Workers	1940 Index
All Industry	100.0		100.0		100.0	
Agriculture, Forestry and Animal Husbandry	60.9		43.0		35.5	
Mining	1.1		1.8		2.1	
Manufacturing and Construction	13.7		19.1		19.7	
Transportation	4.4		6.4		5.3	
Trade	7.6		13.4		17.5	
Domestic and Personal Service	8.8		10.4		10.8	
Public Service	.8		1.4		3.3	
Professional Service	2.8		4.9		5.8	

Source of basic data: Twelfth, Fifteenth, and Sixteenth Census of the United States, Census of Labor Force.

by sex (male or female) and by color (white or nonwhite). The first comparison is between the composition of the population in the South, and in the rest of the United States, by sex and color. The second comparison is between the composition of the labor force in the South, and in the rest of the United States, by sex and color. The latter comparison is restricted to the manufacturing industry.

In the South in 1900, according to Table XXIX, 50.6 per cent of the population consisted of males, while 49.4 per cent consisted of females. By 1940, the proportion of males in the population had decreased slightly to 49.9 per cent, while the number of females in the population had risen slightly to 50.1 per cent. In the rest of the United States the male population fell from 51.1 per cent of the total population in 1900, to 50.3 per cent in 1940; while the female population rose from 48.9 per cent of the total population in 1900, to 49.7 per cent in 1940. The figures indicate substantial equality between the proportion of males and females in the total population in the South, and in the rest of the United States. The figures also indicate the same trend: a slight decline in the proportion of males in the total population.

In the South in 1900, according to Table IX, 65.3 per cent of the population consisted of whites; while 34.7 per cent of the population consisted of nonwhites. By 1940 the proportion of whites in the population had risen to 74.7 per cent; while the proportion of nonwhites had declined to 25.3 per cent. In the United States in 1900, 97.1 per cent of the population consisted of whites; while 2.9 per cent of the

TABLE XXIX. CHANGES IN PER CENT OF MALE AND FEMALE, AND WHITE AND NON-WHITE WAGE EARNERS IN THE SOUTH, 1900 TO 1940

Population Group	Per Cent of Total			
	1900	1920	1930	1940
Total Population	100.0	100.0	100.0	100.0
Male Population	50.6	50.7	50.2	49.9
Female Population	49.4	49.3	49.8	50.1
White Population	65.3	73.0	73.6	74.7
Nonwhite Population	34.7	27.0	26.4	25.3

Source of basic data: Twelfth, Fourteenth, Fifteenth and Sixteenth Census of the United States, Census of Population.

population consisted of nonwhites. By 1940 the proportion of whites in the population had fallen to 94.7 per cent; while the proportion of nonwhites had risen to 5.3 per cent. Two significant facts are revealed by the figures. First, the proportion of nonwhites in the population in the South is much greater than it is in the rest of the United States. Secondly, the proportion of nonwhites in the Southern population is falling; while the proportion of nonwhites in the population of the rest of the United States is rising.

The proportions of male and female workers, and white and nonwhite workers, in the populations of the South and the rest of the United States, are roughly reflected in the proportions which the same groups of workers bear to the total labor force, in all industries, and in the manufacturing industry. The labor-force figures are for differently defined geographical areas than the population figures, both in the case of the South, and the United States. The South, in the case of the labor-force figures, includes not only Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, and Virginia, but also Maryland, the District of Columbia, and West Virginia. The United States, in the case of the labor-force figures, includes all the states; not just the non-Southern states, as was the case with the population data.

According to Table XXX, the number of nonwhites in the labor force for all industry in the South equaled 36.0 per cent of the number of whites in all-industry labor force. The number of nonwhites in the labor force in the manufacturing industry in the South equalled 20.8 per

TABLE XXX. THE LABOR FORCE IN THE SOUTH AND THE UNITED STATES, CLASSIFIED BY SEX AND COLOR

Worker Classification	South (000 omitted)	United States (000 omitted)
All Workers	14,751	49,494
White Workers	10,850	44,276
Nonwhite Workers	3,901	5,218
Ratio of Nonwhite to White Workers	36.0%	11.8%
Male Workers	11,255	37,411
Female Workers	3,496	12,083
Ratio of Female to Male Workers	31.1%	32.3%
All Manufacturing Workers	2,326	11,469
White Workers	1,926	10,809
Nonwhite Workers	400	600
Ratio of Nonwhite to White Workers	20.8%	5.5%
Male Workers	1,824	8,950
Female Workers	501	2,519
Ratio of Female to Male Workers	27.5%	28.1%

Source of basic data: Sixteenth Census of the United States, Census of Manufacturing.

cent of the white workers in the manufacturing labor force; while the number of nonwhite workers in the manufacturing industry in the United States equalled but 5.5 per cent of the whites in the manufacturing labor force.

In the case of both the South and the United States, the great majority of the nonwhite workers were Negroes. The proportion of Negroes, in the nonwhite labor force in the South, was somewhat higher than the proportion of Negroes, in the nonwhite labor force in the United States.

The foregoing data on the proportion of males and females, and whites and nonwhites, in the population and labor force of the South, and of the United States, respectively, provide the basis for two conclusions regarding the effect of interregional differences in the composition of the labor force on the Southern wage differentials. First, the proportion of women in the labor force of the manufacturing industry is so nearly equal in the South, and in the United States, that it could have little effect on the Southern wage differentials in the manufacturing industry. Furthermore, the parallel trends in the number of women in the population in the South, and in the United States, offer no evidence of any significant change having occurred in the relative proportion of women in the labor force of the South and the United States. Secondly, the proportion of nonwhites in the manufacturing labor force in the South is so much greater than the proportion of nonwhites in the labor force of the United States that the higher proportion may have been a factor in creating the Southern wage differentials in the manufacturing industry.

The extent to which the higher proportion of nonwhites in the manufacturing industry in the South, than in the United States, has caused the Southern wage differentials can roughly be determined by examining the extent of the differentials between white and nonwhite wages in the South, and in the United States.

Data showing differentials in white and Negro average hourly earnings in the South and in the North are presented for three industries: the slaughtering and meatpacking industry, the lumber industry, and the iron and steel industry. The industries were chosen for two reasons: (1) the large number of Negroes employed in them, and/or (2) the availability of wage data.

There were five thousand[12] Negro workers employed in the meat-packing industry in the South in 1930. The industry was not an important source of employment for Negroes; but it was one of the few food industries in which Negroes found relatively substantial employment, and in which they were well distributed in all occupations. The figures in Table XXXI show average hourly earnings for Negroes and whites in skilled, semiskilled, and unskilled occupations in the North and South. The figures also give average hourly earnings for Negroes and whites in the North and the South for all occupations. The ratio of Negro to white wages in the industry in the North in all occupations was 102.9 per cent, while the ratio of Negro to white wages in the industry in the South was 86.0 per cent.

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[12] Gunnar Myrdal, An American Dilemma (New York, Harper and Brothers Publishers, 1944), Vol. II, p. 1081.

TABLE XXXI. AVERAGE HOURLY EARNINGS OF MEAT-PACKING WORKERS BY WAGE DISTRICT, COLOR, AND SKILL, DECEMBER 1937.

Section and Race	Total	Skilled	Semi-skilled	Unskilled
The North				
Negroes	71	84	71	63
Whites	69	82	67	60
The South				
Negroes	46	54	49	40
Whites	53	67	50	45

Source: United States Bureau of Labor Statistics, "Earnings and Hours in the Meat-Packing Industry, December, 1937," Monthly Labor Review, Vol. 49, No. 4, (October, 1939), p. 953.

There were 140,000 Negro workers who found employment in the lumber industry in the South in 1930. Negro workers were more heavily concentrated in this manufacturing industry than in any other individual manufacturing industry in the South. In Table XXXII the average hourly earnings of whites and Negroes are compared for sixty similar occupations. In five of these sixty occupations Negro average hourly earnings were higher than white average hourly earnings; while in three occupations the average hourly earnings of Negroes and whites were equal. In the other fifty-two occupations the average hourly earnings of the whites exceeded the average hourly earnings of the Negroes. The amount by which white average hourly earnings exceeded Negro average hourly earnings was 1.9 cents, or less, in twenty-one occupations; 3.9 cents, or less, in eleven additional occupations; 5.9 cents, or less, in six additional occupations; 7.9 cents, or less, in four additional occupations; and 8.0 cents, or more, in ten occupations.

The comment of Dr. Myrdal on the wage data which were just presented on white and Negro average hourly earnings in lumber mills is pertinent. He says:

> "The hourly earnings tended to be somewhat lower for Negro than for white lumber workers. Such a difference usually appears even where Negroes and whites in the same occupational subgroups are compared. This does not prove, however, that Negroes are paid less on an hourly basis when performing the same duties as white workers in the same establishments. It is possible that these wage differentials in specified occupational groups are caused by the tendency of low wage establishments to hire a greater proportion of Negroes than do high wage establishments. Besides, in most of the cases, these differences are rather small, except — and this is rather significant — in occupations where wages are far

TABLE XXXII. OCCUPATIONS IN LUMBER MILLS (SAWMILLS, LOGGING, MAINTENANCE AND SERVICE BRANCHES) BY AVERAGE HOURLY EARNINGS OF WHITE WORKERS, AND DIFFERENCE BETWEEN AVERAGE EARNINGS OF WHITE AND NEGRO WORKERS, IN THE SOUTH: 1939-40

(The original data are based on establishments with 20 or more employees.)

Average hourly earnings of white workers by occupation	All occupations[a]	Number of occupations in which average hourly earnings for Negroes were:						
		Higher than for whites	Equal to earnings of whites	Lower than earnings of whites by specified amounts				
				0.5-1.9 cents	2.0-3.9 cents	4.0-5.9 cents	6.0-7.9 cents	8.0 cents and over
Total								
Under 35.0 cents	60	5	3	21	11	6	4	10
35.0-39.9 cents	38	5	3	19	10	1	..	..
40.0-44.9 cents	5	..	..	..	..	..	..	1
45 cents or more	5	..	..	..	..	..	..	5

Source: Adapted from U. S. Bureau of Labor Statistics, unpublished tabulations, September, 1941. (Permission to publish table obtained from Acting Commissioner A. F. Hinrichs.)

[a] Only occupations which had 25 or more Negro and 25 or more white representatives in the sample were included.

> above the general average. The only chance for a Negro to get into a high wage occupation usually is to accept a wage considerably lower than that paid the white employees for the same kind of work. Yet, the main reason why Negroes, by and large, have lower pay than whites is that they are relatively more concentrated in low wage work . . . If we classify all the occupations by the average hourly wages for all workers, we find that the proportion of Negroes diminishes regularly as the average earnings increase from 69 per cent in occupations paying less than 35 cents an hour to 6 per cent in work paying 50 cents or more."[13]

There were sixty-nine thousand[14] Negroes in the iron, steel, vehicle, and machinery industry in the South in 1940. A larger number of Negroes were working in this industry than in any other manufacturing industry in the South in 1930, except the lumber industry. In Table XXXIII the average hourly earnings of Negro and white male workers in the North and South are shown. The figures show that the Negro-white ratio of average hourly earnings was 86.0 per cent in the North, as compared with 72.0 per cent in the South. Negroes constituted 7.9 per cent of all workers in the North; while they constituted 44.7 per cent of all workers in the South. The figures are inadequate, however, as they do not necessarily compare average hourly earnings in similar occupations. The differentials, therefore, may be based on differences other than color.

The full comment of the authors on this point is well worth quotation. They say:

> "Various reasons have been advanced to explain the comparatively low earnings of Negroes in various industries. The impression has been rather general that Negroes

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[13] Ibid., pp. 1094-1095.

[14] Ibid., p. 1081.

TABLE XXXIII. AVERAGE HOURLY EARNINGS OF MALE WORKERS IN THE IRON AND STEEL INDUSTRY, BY REGION AND RACE, APRIL 1938

Region	Negro	White	Negro-White Ratio
North	.74	.86	86.0
South	.54	.75	72.0

Source: United States Bureau of Labor Statistics, "Earnings of Negro Workers in the Iron and Steel Industry April, 1938," Monthly Labor Review, Vol. 51, No. 5, (November, 1940), p. 1140.

> receive a lower rate of pay than whites for the same type of work. However, insofar as the iron and steel industry is concerned, this is not the case. A very careful examination of the reports for plants employing both whites and Negroes revealed that whenever whites and Negroes were found in the same occupations in any given plant, both were receiving the same basic rates. For instance, white and Negro workers received the same hourly rates of pay as blast-furnace keepers in plant A (81.5 cents), as stockers in plant B (63.0 cents), and as bottom workers in plant C (68.3 cents). Similarly, with respect to common laborers, white and colored workers received the same hourly rate in plant X (62.5 cents), in plant Y (59.5 cents), and in plant Z (56.5 cents)."[15]

The data and quotations in the preceding paragraphs cover three industries in which approximately one-half of the Negro workers in the Southern manufacturing industry were employed. In the lumber industry, in which 140,000 Negroes were employed in 1930, and in the slaughtering and meatpacking industry, in which five thousand Negroes were employed in 1930, the data revealed that Negro workers received lower average hourly earnings than white workers in the same occupations, or in the same skill classification. The data also revealed that Negro workers in the South received less than Negro workers in the North, relative to white wages in the respective regions. The data on these two industries would seem to indicate, therefore, that the presence of a proportionately larger number of Negroes in the manufacturing labor force in the South, than in the rest of the United States, would tend to cause, in and of itself, Southern wage differentials in the manufacturing industry.

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[15] Victor S. Basil, "Earnings of Negro Workers in the Iron and Steel Industry, April 1938," Monthly Labor Review, Vol. 51, No. 5 (November, 1940), p. 1143.

Yet, Dr. Myrdal points out that the Negro-white wage differentials were not large in the lumber industry, and may have been caused by the concentration of Negroes in the low-wage firms in the industry.

In addition, no evidence of a Negro-white wage differential was found in the iron and steel industry, the manufacturing industry in which the next to largest number of Negroes was found among Southern manufacturing industries.

The most valid conclusion that can be drawn, it seems, is that the presence of a relatively large number of Negroes in the Southern manufacturing industry has been, to a limited extent, a cause for Southern wage differentials in the manufacturing industry. Negroes, after all, constitute but approximately 20.0 per cent of the labor force in the Southern manufacturing industry; and one-half of this number are employed in the lumber industry and the iron and steel industry. In the latter, moreover, no Negro-white wage differential exists.

As the presence of Negroes in relatively large numbers in the Southern manufacturing industry has been a causative factor in the creation of a Southern wage differential, the question arises as to why Negroes should receive lower wages than whites in the same occupations. The answer might be one of several. The Negroes may be less skilled, less well organized, or possess less knowledge of labor market conditions. Interregional differences in skill and unionization are discussed under separate headings in this section of Chapter V; but the discussion deals in terms of the average level of skill of

all workers in the South, as compared with other regions. No attempt is made in this study to determine the role that differences in knowledge of labor market conditions play in determining Negro-white wage differentials.

The cost of living. A lower cost of living in the South, than in the rest of the United States, has frequently been cited as one of the causes of the Southern wage differentials, both in manufacturing and other industries. The question which presents itself for answer here is: Does a lower cost of living, at an equivalent scale of living, exist in the South than in the rest of the United States?

No truly definitive study of the cost of living, at a given scale of living, in the South and the rest of the United States has been made. Such a study would involve tremendous expense; its validity would be of limited duration; and the practical and theoretical barriers to complete accuracy would be immense.

Seven less pretentious studies of interregional differences in the cost of living in the South, and in the rest of the United States, have been made.[16] Four of these studies are of the standard budget type; two rely upon pricing of specific articles of consumption in the South and other regions; while one involves an ingenious application of one of Engel's laws of consumption to the problem.

The oldest study was conducted by the National Industrial Conference Board. It was published in 1920. The National Industrial

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16 The discussion of the first six of these studies is based on H. M. Douty's article, "Are Living Costs Lower in the South?," published in the January, 1939 issue of The Southern Economic Journal.

Conference Board attempted to determine how the minimum annual cost of living for a family of five in three Southern textile mill towns -- Greenville and Pelzer, South Carolina, and Charlotte, North Carolina -- compared with the same minimum annual cost of living for a family of five in Fall River, Massachusetts. The study revealed that the cost of the selected budget was lower in Fall River than in any one of the three Southern cities.

The second oldest study was conducted by A. Berglund, G. T. Starnes, and F. F. de Vyver, in 1928 and 1929. The results of the study appeared as Chapter 9 of their book, Labor in the Industrial South. Berglund, Starnes, and de Vyver collected the prices of specified meat and food products. They found that the cost of food, meat excepted, was about equal between the South and New England. The cost of meat, however, was found to be somewhat lower in the South than in New England.

The third study was one conducted by Wilson Gee in June, 1931, the results of which appeared in his Research Barriers in the South. Gee secured the prices of food, electricity, gas, coal, and housing in cities of comparable size, in the South, the North, and the West. He found that food costs were roughly the same in the North and the South; that electricity, manufactured gas, natural gas, and bituminous coal costs were slightly higher in the South; that anthracite coal costs were slightly lower in the South; and that the cost of rents averaged 7.0 per cent lower in the South.

The fourth study was conducted by William F. Ogburn. Ogburn employed a most interesting technique in determining the relative level of the cost of living in the South and the rest of the United States.

On the basis of Engel's law, that as income increases the percentage spent for food decreases, Ogburn assumed that the cost of living at a given scale in two regions could be determined by comparing the amount spent for food, at a given time, by families of the same size and income, in each of the two regions. Ogburn, therefore, used data on family budgets collected by the Bureau of Labor Statistics in 1918 and 1919 to calculate the food expenditure of families, consisting of husband, wife, and children aged two, seven, and eleven years, with annual incomes of $1,300. Data were secured for thirteen Southern and thirty-three non-Southern cities. He found little difference between the two groups in the proportion of income spent on food.

The four earlier efforts to measure interregional differences in the cost of living represent interesting pioneer attempts to answer a vexatious question. The present age of the price data on which the studies were based, and the nature of the statistical techniques employed, throw considerable doubt on the present validity of the older studies.

The above criticisms apply, of course, to the three more recent studies, which are described below. The criticisms carry less weight against the recent studies, however, for all three of the studies were based on comprehensive budget investigations, and used prices collected in 1935 or later.

Pricing a uniform budget, the National Industrial Conference Board collected cost-of-living data in March, 1937 for fifty-nine cities

over the United States. The fifty-nine cities were distributed as follows: East, twenty; South, eleven; Middle West, twenty-two; and Far West, six. The budget was a so-called "maintenance budget." It was carefully constructed.

The results of the study showed living costs to be lowest in the South, and highest in the Far West, in March, 1937. The spread between the low-cost and the high-cost region was 7.0 per cent. "The difference between the average cost for the eleven Southern cities and for the fifty-nine cities as a whole was 3.5 per cent."[17]

An even more comprehensive recent study was the one conducted by the Division of Social Research of the Works Progress Administration. The results of the study were published in a 216-page monograph, entitled Inter-city Differences in Costs of Living. The Division of Social Research of the Works Progress Administration collected prices in fifty-nine cities over the nation in March, 1939. Prices were secured for a "maintenance budget" and an "emergency budget." Thirteen of the fifty-nine surveyed cities were located in the South: Atlanta; Richmond; Norfolk; New Orleans; Memphis; Winston-Salem; Louisville; Jacksonville; Columbia, South Carolina; Knowville; Birmingham; Little Rock; and Mobile. By coincidence, both the maintenance budget and the emergency budget in the Southern cities cost 5.4 per cent less than the same budgets in the forty-six non-Southern cities. It is interesting to note that living costs varied more widely among the Southern cities,

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[17] H. M. Douty, "Are Living Costs Lower in the South?," The Southern Economic Journal, Vol. V, No. 3 (January, 1939), p. 367.

than between the averages for the Southern, and non-Southern cities.

The most recent study of differences in living costs among various cities, and regions, over the nation was made in March, 1945 by the Bureau of Labor Statistics of the United States Department of Labor. Equivalent goods and services were priced in thirty-three large cities over the nation, nine of which were located in the South: Houston, New Orleans, Savannah, Birmingham, Norfolk, Memphis, Jacksonville, Atlanta, and Richmond. Living costs in each city were expressed as a percentage of living costs in Washington, District of Columbia, as shown in Table XXXIV. The average cost of living in the nine Southern cities, expressed as a percentage of living costs in Washington, was 92.2 per cent; while the average cost of living in the other twenty-four cities, on the same base, was 95.4 per cent. The average cost of living in the Southern cities was 3.4 per cent less than in the Northern cities.

According to Floyd C. Mann, of the Bureau of Labor Statistics, comparisons of March 1945 and prewar living costs show that the difference in the costs of equivalent goods, rents, and services between large cities in the South, and in the rest of the United States, has been reduced.

> "The March 1945 comparisons show smaller percentage differences in costs among individual cities than indicated by estimates for the prewar years. Costs in nearly all of the large southern cities have moved up in relation to costs in Washington during this period. In the eight southern cities for which data are available costs were 5 to 12 per cent lower than in Washington; whereas, in 1939 costs in these cities were from 10 to 15 per cent below Washington. This tendency toward equalizing differences in costs is consistent

TABLE XXXIV. RELATIVE DIFFERENCES IN COST OF EQUIVALENT GOODS, RENTS, AND SERVICES IN LARGE CITIES IN THE SOUTH AND OTHER SELECTED LARGE CITIES, MARCH, 1945

(Costs in Washington, D. C. = 100)

City	Total	Identical Foods	Equivalent Clothing	Housing	Other
Washington, D. C.	100	100	100	100	100
Large cities in the South:					
Houston, Tex.	88	98	86	68	94
New Orleans, La.	91	104	89	66	101
Savannah, Ga.	92	106	90	73	96
Birmingham, Ala.	92	102	89	75	96
Norfolk, Va.	93	102	94	73	99
Memphis, Tenn.	93	101	91	80	97
Jacksonville, Fla.	93	104	90	76	96
Atlanta, Ga.	93	101	92	78	95
Richmond, Va.	95	100	93	87	94
Other large cities surveyed:					
Scranton, Pa.	90	100	97	67	97
Kansas City, Mo.	91	102	97	71	97
Buffalo, N. Y.	92	102	95	71	97
Indianapolis, Ind.	92	99	87	79	94
Baltimore, Md.	93	103	97	76	96
Cincinnati, Ohio	93	100	99	74	99
Denver, Colo.	93	102	93	76	98
Manchester, N. H.	93	103	96	73	98
Los Angeles, Calif.	94	102	90	71	107
Minneapolis, Minn.	94	101	96	81	96
Philadelphia, Pa.	94	103	96	77	98
Cleveland, Ohio	95	101	100	75	103
St. Louis, Mo.	95	102	89	83	98
Boston, Mass.	96	104	91	84	98
Detroit, Mich.	97	102	96	79	105
Milwaukee, Wis.	97	100	93	85	104
Pittsburgh, Pa.	97	102	104	81	102
Portland, Maine	97	103	95	83	101
Portland, Oreg.	97	103	90	75	111
Chicago, Ill.	98	103	96	84	104
San Francisco, Calif.	100	105	97	80	112
New York, N. Y.	102	104	97	93	106
Seattle, Wash.	103	109	96	83	117

Source: United States Bureau of Labor Statistics, Labor in the South, Bulletin No. 898 (Washington: Government Printing Office, 1946), p. 117.

> with the greater rise in wartime prices in cities — particularly in the South — where costs were relatively low before the war."[18]

The three recent surveys of living costs at equivalent scales of living in the South, and in the rest of the United States, indicate that living costs are, on the average, approximately four to five per cent lower in the South. The lower cost of living in the South constitutes a solid economic basis for regional wage differentials, and undoubtedly has been a factor creating Southern wage differentials. The size of the cost-of-living differential between the South and the rest of the United States, compared with the size of the Southern wage differentials indicates, however, that there were additional factors which helped produce the Southern wage differentials; for the Southern wage differentials in the great majority of Southern manufacturing industries are well above the four or five per cent cost-of-living differential.

Two additonal conclusions drawn from the three recent cost-of-living surveys should be recorded. First, the range of difference in the cost of living among the Southern cities is greater than the Southern cost-of-living differential. Secondly, the Southern cost-of-living differential has tended to grow smaller since the beginning of the war.

Monopoly on the buyers' side of the labor market. The possible existence of a greater degree of monopoly on the buyers' side of the

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[18] Floyd C. Mann, "Living Costs in Large Cities in the South," Labor in the South, Bulletin No. 898, United States Department of Labor (Washington, Government Printing Office, 1946), p. 116.

labor market in the South, than in the rest of the United States, is a possible cause of the Southern wage differentials in the manufacturing industry. The problem, from a practical standpoint, is to devise a means of measuring the degree of monopoly, or competition, in the labor markets of two regions.

The idea of a regional labor market is a theoretical concept. Actually, as has been indicated at a previous point, regional labor markets consist of groups of local labor markets, built around urban centers of populations. In order to measure interregional differences in the degree of competition on the buyers' side of the labor market, therefore, it is necessary to strike an average of the degrees of competition existing in the local labor markets of a given region.

Ideally, the degree of competition existing in a labor market might be measure by the ratio of wages to the value of the marginal product for a given grade of labor. This measurement can not be made because data, showing the value of the marginal products of different grades of labor, do not exist. In the absence of such data, this study has had to rely on a rough measure of the degree of monopoly existing on the buyers' side of the labor market. The technique of measurement is to compare the percentage[19] of the manufacturing establishments in the Southeast, located in cities of a given size range, with the corresponding percentage[20] of the manufacturing

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[19] The percentage is the ratio of the establishments in cities of a given size range in the Southeast to all establishments in the Southeast.

[20] The percentage is the ratio of the establishments in cities of a given size range in the rest of the United States to all establishments in the rest of the United States.

establishments in the rest of the United States, in cities of the same size range. If a larger percentage of the establishments in the Southeast, than in the rest of the United States is located in the smaller city-size classification(s), the Southeast is likely to be characterized by a lower degree of competition in its labor market. This conclusion is based on two factors: (1) a smaller number of competing buyers of labor in the smaller city-size classification(s), and (2) labor immobility. Labor immobility is a necessary condition, for the number of establishments in the entire region is probably sufficient to furnish a competitive market for all types of employment.

Basic data on the number of establishments in different city-size classifications in the Southeast, and in the rest of the United States, were secured from the Wage Structure bulletins of the Bureau of Labor Statistics of the United States. In Table XXXV, the percentage of establishments in cities of under one hundred thousand population, and one hundred thousand and over population, in the Southeast, is compared with the percentage of establishments in the same city-size classifications, in the rest of the United States. Comparisons are made for seventeen manufacturing industries, individually and in the aggregate. In Table XXXVI, the percentage of establishments in cities of under twenty five thousand population, twenty five to one hundred thousand population, and over one hundred thousand population, in the Southeast, is compared with the percentage of establishments in the same city-size classification in the rest of the United States. Comparisons are made for eighteen manufacturing industries, individually

TABLE XXXV. PERCENTAGE DISTRIBUTION OF MANUFACTURING ESTABLISHMENTS BY CITIES OF ONE HUNDRED THOUSAND POPULATION AND OVER, AND CITIES OF LESS THAN ONE HUNDRED THOUSAND POPULATION, IN THE SOUTHEAST, AND IN THE REST OF THE UNITED STATES

Industry	No. of Establishments	Per Cent of Establishments			
		Cities under 100,000		Cities 100,000 and over	
		S. E.	U.S. less S.E.	S. E.	U.S. less S.E.
Cigarettes	18	100.0	—	—	100.0
Wood Furniture	803	71.2	33.6	28.8	66.4
Meat Products, except Big Four	354	66.7	23.7	33.3	76.3
All Industries	7,985	66.2	35.3	33.8	64.7
Set-Up Paper Box	286	60.0	21.0	40.0	79.0
Stove and Range	164	50.0	30.0	50.0	70.0
Tobacco and Snuff	31	42.9	45.8	57.1	54.2
Industrial Chemicals	255	42.2	28.1	57.8	71.9
Paints and Varnishes	292	41.7	7.5	58.3	92.5
Candy and Chocolate	386	36.4	11.4	63.6	88.6
Corrugated Fiber Box	172	28.6	16.6	71.4	83.4
Fabrication Structural Steel	324	25.7	16.3	74.3	83.7
Folding Paper Box	188	25.0	17.8	75.0	82.2
Sheet Metal	385	23.7	13.3	76.3	86.7
Laundries	996	19.6	21.4	80.4	78.6
Women's and Misses' Dresses	976	17.9	12.2	82.1	82.8
Machinery	2,034	16.1	7.6	83.9	91.4
Power Boilers	271	12.5	19.0	87.5	81.0

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

and in the aggregate.

In fourteen of the seventeen industries for which data are given in Table XXXV, the percentage of establishments in cities of under one hundred thousand population in the Southeast exceeded the percentage of establishments in the same city-size classification in the rest of the United States. Or, expressed in another way, in fourteen of the seventeen industries for which data are given in Table XXXV, the percentage of establishments in cities of one hundred thousand population, or over in the United States, except the Southeast, exceeded the percentage of establishments in the same city-size classification in the Southeast.

For all seventeen industries combined, the percentage of establishments in cities of under one hundred thousand population in the Southeast was 66.2 per cent, as compared with 35.3 per cent in the rest of the United States. On the other hand, the percentage of all manufacturing establishments in the seventeen industries in cities of one hundred thousand population or over was 64.7 per cent in the United States, except the Southeast, as compared with 33.8 per cent in the Southeast.

In the Southeast, the number of establishments in cities of one hundred thousand population or over exceeded the number of establishments in cities of less than one hundred thousand population, in twelve of the seventeen industries. In the rest of the United States, the number of establishments in cities of one hundred thousand population or over exceeded the number of establishments in cities of

less than one hundred thousand population, in all seventeen industries.

According to Table XXXVI, the percentage of establishments in cities under twenty five thousand population in the Southeast exceeded the percentage of establishments in cities of the same size classification in the rest of the United States, in twelve of eighteen manufacturing industries. The percentage of establishments in cities of twenty five to one hundred thousand population in the Southeast exceeded the percentage of establishments in cities of the same size-classification in the rest of the United States, in thirteen of eighteen manufacturing industries. The percentage of establishments in cities of over one hundred thousand population in the Southeast, exceeded the percentage of establishments in cities of the same size classification in the rest of the United States, in but two of eighteen industries.

In the eighteen industries combined the percentage of establishments in cities of under twenty five thousand population in the Southeast was 36.2 per cent, as compared with 23.2 per cent in the rest of the United States. The percentage of establishments in cities of twenty five to one hundred thousand population in the Southeast was 30.4 per cent, as compared with 17.8 per cent in the rest of the United States. For cities of over one hundred thousand population, however, the percentage of establishments in the Southeast was only 33.4 per cent, as compared with 59.0 per cent in the rest of the United States.

In the Southeast, the largest percentage of establishments was located in cities of under twenty five thousand population, in ten industries; in cities of twenty five to one hundred thousand population,

TABLE XXXVI. PERCENTAGE DISTRIBUTION OF MANUFACTURING ESTABLISHMENTS BY CITIES OF UNDER TWENTY FIVE THOUSAND, TWENTY FIVE TO ONE HUNDRED THOUSAND, AND OVER ONE HUNDRED THOUSAND POPULATION IN THE SOUTHEAST, AND THE REST OF THE UNITED STATES

Industry	No. of Establishments	Per cent of Establishments: Cities under 25,000 S.E.	Cities under 25,000 U.S. less S.E.	Cities 25,000-50,000 S.E.	Cities 25,000-50,000 U.S. less S.E.	Cities over 100,000 S.E.	Cities over 100,000 U.S. less S.E.
Cotton work Shirts	59	87.5	42.9	4.2	25.7	8.3	31.4
Footwear	347	64.3	21.1	----	19.5	35.7	60.4
Pulp and Paper Mills	178	63.6	51.5	36.4	35.3	----	13.2
Woolen and Worsted Mills	279	60.0	35.2	13.3	14.8	26.7	50.0
Overalls and Industrial Garments	132	60.0	16.2	13.3	9.4	26.7	74.4
Dress Shirts and Nightwear	220	52.6	19.4	26.3	17.4	21.1	63.2
Cotton Work Pants	155	50.0	22.9	19.6	21.1	30.4	56.0
Cotton Textiles	346	46.5	24.6	32.4	12.0	21.1	63.4
Rayon and Silk Mills	237	38.8	18.1	36.7	22.9	24.5	59.0
All Industries	4,874	36.2	23.2	30.4	17.8	33.4	59.0
Full-Fashioned Hosiery	287	36.2	34.9	25.9	17.8	37.9	57.3
Structural Clay Products	331	35.2	44.9	32.4	20.4	32.4	34.7
Textile Dyeing and Finishing	193	33.3	9.8	24.3	10.4	43.3	79.8
Seamless Hosiery	206	32.2	33.0	45.5	24.7	22.3	42.3
Paper Board Mills	111	30.8	39.8	38.4	22.4	30.8	37.8
Cigars	198	14.3	10.4	5.7	14.1	80.0	75.5
Drugs and Medicine	258	8.3	8.9	25.0	8.9	66.7	82.2
Bakeries	1,320	6.8	14.5	36.1	16.7	57.1	68.8
Glassware	117	——	47.4	33.3	26.3	66.7	26.3

Source of basic data: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

in two industries; and in cities of over one hundred thousand population, in six industries. In the rest of the United States, the largest percentage of establishments was located in cities of under twenty five thousand population, in five industries; in cities of twenty five to one hundred thousand population, in no industries; and in cities of over one hundred thousand population, in thirteen industries.

The foregoing data, showing the percentage distribution of manufacturing establishments by city-size classifications, indicate that the potential for competition on the buyers' side of the labor market is substantially less in the Southeast than in the rest of the United States. The data do not prove, however, that there is sufficient relative lack of competition in the Southern labor market to produce an "exploitive" wage, which would result in regional wage differentials. Yet, the presence in a small local labor market of one, or a few, large manufacturing establishments, which offer specialized employment opportunities not available in any other, or only a few other, establishments, lends support to the belief that "exploitation" may be present. If "exploitation" is not present, considerable labor mobility must be assumed. The diversity in wage rates among local labor markets, and even within local labor markets, casts doubt on a high degree of mobility in the labor force in respect to existing jobs. The conclusion of this study, therefore, is that the existence of a lower potential for competition on the buyers' side of the labor market in the Southeast, than in the rest of the United States, is a probable contributing factor to the Southern wage differentials.

In Table XXXVII and XXXVIII, the relationship between Southeast-

TABLE XXXVII. COMPARISON OF DIFFERENTIALS IN PROPORTION OF ESTABLISHMENT IN CITIES UNDER ONE HUNDRED THOUSAND POPULATION BETWEEN SOUTH AND REST OF UNITED STATES WITH SOUTH-UNITED STATES AVERAGE HOURLY EARNINGS RATIOS

Industry	Percentage-Point Difference in Per Cent of Firms in Cities Under 100,000 Population Between Southeast and Rest of the United States (Southeast less United States)	South-United States Average Hourly Earnings Ratios
Set-Up Box	49.0	80.9
Meat Products	43.0	69.4
Wood Furniture	37.6	78.9
Paints and Varnishes	34.2	76.2
Candy and Chocolate	25.0	69.8
Stove and Range	20.0	72.2
Industrial Chemicals	14.1	69.3
Corrugated Fiber Box	12.0	79.5
Sheet Metal	10.4	64.2
Fabricated Structural Steel	9.4	85.6
Machinery	8.5	77.9
Folding Paper Box	7.2	77.2
Women's and Misses' Dresses	5.7	48.9
Tobacco and Snuff	-2.9	88.7
Power Boilers	-6.5	88.8
Cigarettes	-100.0	98.8

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

United States average-hourly-earnings ratios, and the difference between the percentage of firms located in given city-size classifications in the Southeast, and ain the rest of the United States, is presented. The data in Table XXXVII seem to reveal a very slight degree of relationship between the two factors; but the data in Table XXXVIII reveal no apparent relationship.

Degree of competition on the sellers' side of the labor market. The existence in the South of a higher degree of competition, or a lower degree of monopoly, on the sellers' side of the labor market, than in the rest of the United States, has frequently been advanced as a cause of the Southern wage differentials in the manufacturing industry. The unionization of the manufacturing industry in the rest of the United States has proceeded more rapidly than in the South, it is claimed. The factual basis of this claim is examined below.

In Table XXXIX, the per cent of unionization[21] in the South is compared with the per cent of unionization in the United States in nineteen selected manufacturing industries. In the combined selected industries, the per cent of unionization in the United States, in 1945 to 1947, exceeded the per cent of unionization in the Southeast by 30.4 percentage points.

Among individual industries, the per cent of unionization in the United States exceeded the per cent of unionization in the Southeast in seventeen of the nineteen selected industries. The number of percentage points by which unionization in the United States exceeded unionization in the Southeast varied from 4.7 in seamless hosiery

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[21] All workers in establishments covered by an union agreement are considered to be union workers.

TABLE XXXVIII. COMPARISON OF DIFFERENCES IN PROPORTION OF MANUFACTURING ESTABLISHMENTS IN CITIES OVER ONE HUNDRED THOUSAND POPULATION BETWEEN THE REST OF THE UNITED STATES AND THE SOUTHEAST, WITH SOUTH TO REST OF UNITED STATES RATIOS OF AVERAGE HOURLY EARNINGS

Industry	Percentage-Point Difference in Per Cent of Establishments in Cities Over 100,000 population Between Rest of United States and Southeast (United States less Southeast)	South-United States Average Hourly Earnings Ratios
Overalls and Industrial Garments	47.7	84.4
Cotton Textiles	42.3	98.7
Dress Shirts and Nightwear	42.1	82.4
Textile Dyeing and Finishing	36.5	87.6
Rayon and Silk Mills	34.5	97.5
Cotton Work Pants	25.6	91.4
Footwear	24.7	78.3
Woolen and Worsted Mills	23.3	84.0
Cotton Work Shirts	23.1	
Seamless Hosiery	20.0	98.4
Drugs and Medicine	15.5	76.1
Pulp and Paper	13.2	97.6
Bakeries	11.7	73.7
Paperboard Mills	7.0	92.8
Structural Clay Products	2.3	75.0
Cigars	-4.5	102.7
Glassware	-40.4	82.9

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

industry to 43.9 in the woolen and worsted industry. The per cent of unionization in the United States exceeded the per cent of unionization in the Southeast by more than twenty percentage points in twelve of the selected industries.

The data in Table XXXIX do not prove that the degree of competition on the buyers' side of the labor market in the South is greater than in the rest of the United States — a factor which would create regional wage differentials. The data do, however, indicate a potential for the creation of a greater degree of competition on the buyers' side of the labor market.

Is there any method by which the influence of interregional differences in the degree of unionization on regional wage differentials can be indicated?

In Chapter IV data were presented in order to bring to light any relationship that might exist between interregional differences in the degree of unionization and the extent of Southern regional wage differentials in selected manufacturing industries. The data were presented in Table XIII of Chapter IV. The interpretation of the data is reviewed below.

The data in Table XIII do not indicate an exact relationship between the size of the Southern wage differentials, and the percentage-point differences between the per cent of unionization in the Southeast and the United States. When the seven industries, with the lowest Southern wage differentials, are compared with the fifteen industries, with the highest Southern wage differentials, however, a noticeable

TABLE XXXIX. PERCENTAGE-POINT DIFFERENCES BETWEEN THE SOUTHEAST AND THE REST OF THE UNITED STATES IN THE PER CENT OF UNIONIZATION IN SELECTED MANUFACTURING INDUSTRIES, 1945-46

Industry	Percentage-Point Difference in Per Cent of Unionization (U. S. Less Southeast)	Per Cent of Unionization	
		Southeast	United States except Southeast
Woolen and Worsted Mills	43.9	11.1	55.0
Foundries	38.4	45.6	84.0
Textile Dyeing and Finishing	37.2	33.4	70.6
Dress Shirts and Nightwear	34.9	21.4	56.3
Meat Products except Big Four	33.7	47.4	81.1
Bakeries	32.7	27.3	65.0
Structural Clay Products	31.4	28.5	59.9
All Selected Industries	30.4	24.5	54.9
Women's and Misses' Dresses	30.3	52.5	82.8
Full-Fashioned Hosiery	27.8	17.7	45.5
Wood Furniture	25.4	17.3	42.7
Corrugated Fiber Box	25.4	55.1	80.5
Fabricated Structural Steel	20.1	56.3	76.4
Cotton Textiles	18.9	30.5	49.4
Candy and Chocolate	17.7	20.1	37.8
Knitwear	10.9	28.8	39.7

TABLE XXXIX. (Continued)

Sheet Metal	10.6	54.2	64.8
Seamless Hosiery	4.7	11.5	16.2
Paperboard	-2.1	87.2	85.1
Cigars	-11.1	64.6	53.5

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

degree of relationship appears.

Among the seven industries with the lowest Southern wage differentials, for example, the per cent of unionization in the Southeast equalled, or exceeded, the per cent of unionization in the United States in three industries. Furthermore, in the remaining four of these seven industries, the per cent of unionization in the United States did not exceed the per cent of unionization in the Southeast by more than twenty percentage points in any industry.

Among the fifteen industries with the highest Southern wage differentials, on the other hand, the per cent of unionization in the United States exceeded the per cent of unionization in the Southeast by more than ten percentage points in all industries, by more than twenty percentage points in all but two industries, and by more than thirty percentage points in all but six industries.

The foregoing analysis of the data presented in Table XIII constitutes evidence in support of the idea that there is probably some causal relationship between the magnitude of the Southern wage differentials and the degree of unionization between the South and the United States.

Additional data purporting to indicate the relationship between the trend in the Southern wage differentials and the trend in the growth of trade unionism in the South, were presented in Chapter IV, as a summary to Lester's survey of trends in Southern wage differentials. Lester, it will be remembered, traced trends in Southern wage differentials in nine industries between 1920 and 1944. The South-non-

South ratio trend in four of these industries was horizontal; while in five of the industries it was rising. The five industries with the rising South-non-South wage ratios possessed, in the case of every industry, but one, a higher degree of unionization, as of 1945 or later, than any of the four industries with horizontal South-non-South wage-ratio trends. Since all nine of the industries became unionized sometime after 1933, it is possible that a causal relationship could exist between the trend in the South-non-South wage ratios of the several industries, and the trend in the extent of unionization in the industries. The foregoing data indicate a probable direct relationship between the two factors.

Data were presented in Table XXIV of Chapter IV which showed the relationship between the trend in South-non-South annual earnings ratios from 1929 to 1947, and the extent of unionization in major census classifications of manufacturing industries in 1948. The data did not reveal any apparent relationship between the trend in South-non-South annual-earnings ratios and the extent of unionization in the major census classifications of industries. Annual earnings, however, do not constitute as precise a basis for measuring regional wage differentials as average hourly earnings by occupation.

The conclusions to be drawn from the preceding data, measuring the relationship between the Southern wage differentials, on the one hand, and interregional differentials in the degree of competition on the buyers' side of the labor market, on the other hand, are set down below.

First, in the selected industries, the per cent of unionization

in the United States was decidedly higher than in the Southeast.

Secondly, the existence of a higher degree of unionization in the United States, than in the Southeast, constitutes a potential cause for Southern wage differentials in the selected industries.

Thirdly, comparison at a given point in time of Southern wage differentials in selected industries, with interregional differences in the extent of unionization, indicate a certain degree of positive relationship, possibly causal, between the two factors.

Fourthly, comparison of trends in Southern wage differentials with the extent of unionization, in nine industries in the South, indicates a certain degree of positive relationship, possibly causal, between the two factors.

Fifthly, comparison of trends in South-non-South annual-earnings ratios, with the extent of unionization in major census classifications of industry, does not indicate any apparent relationship between the two factors.

Differences in labor skill, managerial ability, and amount of capital equipment used per worker. Lower levels of labor skill, less managerial ability, a smaller amount of capital equipment used per worker in the South, than in the rest of the United States — all of these factors have been advanced as causes of the Southern wage differentials in the manufacturing industry.

The measurement of interregional differences in labor skill, managerial ability, and capital equipment used per worker is a difficult, if not, in some cases, an impossible task. To make interregional

comparisons of labor skill, or managerial ability, it is necessary to study workers, or managers, under comparable physical and technological conditions in every type of industry common to both regions. To make interregional comparisons of capital equipment used per worker, it is necessary to inventory the capital equipment of each region and find some common denominator for expressing the value, or technological effectiveness, of dissimilar pieces of capital equipment.

In view of the difficulties of measuring interregional differences in labor skill, managerial ability, and capital equipment used per worker, few studies have been made which bear upon the problem. All of the studies which have been made, have dealt with interregional differences in labor skill, or managerial ability — primarily the former. No studies have been made, to the writer's knowledge, of interregional differences in capital equipment used per worker.

A comprehensive original study of interregional differences in labor skill, managerial ability, and capital equipment used per wage earner lies beyond the scope of this study. This study will be confined, therefore, to a review of the more important investigations which have been made of the problem.

Although interregional differences in labor skill, managerial ability, and capital equipment used per worker are difficult to measure individually, it is possible to construct a rough measure of the combined impact of all three factors. The rough measure can be constructed by computing the value added by manufacturing per wage earner in the South, and in the rest of the United States. A comparison of the value added by manufacturing per wage earner in each of the two

gives a rough measure of the combined impact of labor skill, managerial ability, and capital equipment used per worker, on the productivity of labor in each region. The comparison of the value added by manufacturing per wage earner in the South, and in the rest of the United States, the measurement of the trends in the South-non-South value-added-by-manufacturing-per-wage-earner ratios, and the conclusions drawn therefrom, are a contribution of this study.

This section is divided into two parts. In the first part, a brief review of the studies of interregional differences in labor skill and managerial ability is presented. In the second part, a comparison of existing South-non-South value-added-by-manufacturing-per-wage-earner ratios in selected manufacturing industries is made; and trends in the ratios are traced. Lastly, conclusions are drawn as to the impact of differences in labor skill, managerial ability, and capital equipment used per worker on the level of wages in the South, and in the rest of the United States.

a. Studies of differences in labor skill and managerial ability between the South and the rest of the United States. The allegation has been made frequently that Southern labor is less skilled, or less efficient, than labor in the rest of the United States. Such allegations can be found in Garver and Hansen's Principles of Economics,[22] in Huntington's Principles of Economic Geography,[23] and numerous times

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[22] F. B. Garver and A. H. Hansen, Principles of Economics (rev. ed., Boston, 1937), p. 416.

[23] Ellsworth Huntington, Principles of Economic Geography (New York, 1940), pp. 327 and 344.

in the hearings on the Fair Labor Standards Act.[24] Few actual studies of interregional differences in labor skill and managerial ability have been made; and most of these have been confined to single industries.

In an article in the Journal of Economic History, Seth Hammond argued that Southern labor productivity in pounds was no smaller than Northern labor productivity, during the period from 1904 to 1932.[25]

A Temporary National Economic Committee study of a Northern and a Southern textile mill, owned by the same company, found that labor costs per unit of output were lower in the Southern mill by more than the wage differential.[26]

The National Defense Mediation Board found that the productivity of Southern workers in the coal industry was equal to that of Northern workers.[27] They further concluded, in a study of three Northern and two Southern plants in the aluminum industry, that Southern workers did similar work with substantially equal skill.[28]

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[24] Senate Committee on Education and Labor and House Committee on Labor, Joint Hearings on S2475 and H. R. 7200 (75th Congress, 1st sess., Washington, 1937), pp. 447, 481-482, 563, 591-92, 771, 793 and 1072-1073.

[25] Seth Hammond, "Location Theory and the Cotton Industry," Journal of Economic History II (1942), Supplement, pp. 106-108.

[26] Temporary National Economic Committee, Industrial Wage Rates, Labor Costs and Price Policies, Monograph No. 5 (Washington, 1940), p. 57.

[27] National Defense Mediation Board, Press Release on Findings and Recommendations, Certification No. 20, Bituminous Coal Operators, Appalachian Area.

[28] National Defense Mediation Board, War Labor Reports, I (1942), pp. 9-11.

Jesse Markham studied two textile firms, with mills in both the South and the North, manufacturing the same product with identical machinery, under supervisory personnel that was shifted interregionally. He found that the averages of data for three operations for 1940 and 1941 did not show a significant difference in productivity between Northern and Southern plants.[29]

The only effort to undertake a broad interregional study of differences in labor skill and productivity, to the writer's knowledge, is Richard A. Lester's survey, made in January and February, 1945.[30] In those months Professor Lester mailed questionnaires to 112 manufacturing firms having one or more factories in both the South, and the North. These firms, at the beginning of 1944, employed approximately 2,900,000 workers, or one sixth of the total national employment in manufacturing at that time. Replies were received from sixty-one companies. Forty-seven companies, employing over one million workers, answered two, or more, of the questions asked. According to Lester, the representativeness of the sample can be challenged on two grounds. First, the sample is overweighted by large concerns, having a high ratio of capital investment per employee. Secondly, the wages paid by the Southern firms were probably higher, relative to the regional average, than were the wages paid by the Northern firms. Other admitted limitations were the fact that answers were largely based on the opinions of corporate executives;

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[29] Jesse W. Markham, "Regional Labor Productivity in the Textile Industry," American Economic Review, XXXIII (1943), p. 110.

[30] Richard A. Lester, "Effectiveness of Factory Labor: South-North Comparisons," The Journal of Political Economy, Vol. LIV, No. 1 (February, 1946), pp. 60-75.

that operations were not exactly comparable between the South and the North; that a high degree of mechanization in some industries cut, to a large extent, the link between output and personnel; and that the level of wages between regions determined management's opinion of the relative productivity of labor.

Several types of questions were asked. The more important questions are quoted below.

> (1) "Under normal peacetime conditions how did labor in your southern plant(s) compare with labor in your northern plant(s) with respect to efficiency or effectiveness under comparable factory conditions and supervision? (This is intended purely as a measure of labor effort, ability, and speed, making allowances for any differences between the Northern and Southern plants in such nonlabor matters as equipment, management, etc.).
>
> (2) "Under normal peacetime conditions, how did the average output per man-hour or per man-day in your southern plant(s) compare with average output in your northern plant(s) for comparable operations?"[31]
>
> (3) "In setting piece rates by time-study methods, has it ever been necessary to use different standards of achievement or different allowances for fatigue, etc., in your Southern plant(s) from the standards or allowances used in your Northern plant(s)?"[32]

In addition to questionnaires mailed to the 112 manufacturing firms, questions of a similar nature were put to ten industrial engineering firms, and officials of eight unions.

The more important of Lester's conclusions are given below:

> (1) " A large section of Southern labor spread over a variety of industries, is equal in efficiency or

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[31] Ibid., p. 65.

[32] Ibid., p. 68.

productivity to Northern labor employed by the same companies or in the same industries. Of forty-one interregional concerns with 881,000 employees, twenty-three (with 515,000 employees) reported labor efficiency in the South equal to or in excess of labor efficiency in the North. A majority of those twenty-three concerns pay wage rates in the South averaging from 10 to 25 per cent lower than in the North. Of twelve replies received from engineering consultants operating in both regions, eight stated that labor productivity in the South was equal to or greater than in the North under comparable conditions. The experience of the interregional firms seems to indicate that, compared with the North, the rating of the South is relatively higher in terms of actual output per man-hour than in terms of labor efficiency under comparable conditions, probably due in large part to greater work-loads per employee and to newer plants in the South in some industries.

(2) "There appears to be some, though not close, relationship between regional wage differentials and any differential in labor efficiency and output. Reduction, or absence of, a North-South wage differential presumably, stimulates management in the South to increase labor effectiveness. However, many firms with Southern wage rates averaging 10-25 per cent below northern wages for comparable jobs report the same labor efficiency in the South as in the North.

(3) "The consulting concerns and union officials are almost unanimous in their opinion that labor in the South is potentially as efficient as labor in the North and that any regional differences in labor productivity are due to differences in management, equipment, methods and habit patterns.

(4) "The contention that marked regional wage differentials are due to differences in the physical output of labor is not supported by the findings of this study. Actual output per man-hour was reported, to be higher in the South for five interregional concerns whose Southern rates of pay, as a group, average 15 per cent below their Northern rates, and labor output was stated to be the same in the South as in the North for eight interregional firms with an average North-South wage differential of 16 per cent. Any relationship between North-South wage differentials and labor productivity differentials is, therefore, very tenuous and uncertain.

(5) "Differences in labor efficiency and productivity apparently are not a fundamental factor in regional differentials in wage rates. Such wage differentials must, for the most part, be explained on other grounds."[33]

In the course of his investigations Professor Lester uncovered data bearing on interregional differences in managerial ability. Professor Lester's conclusion in regard to the relative efficiency of management in the South is set forth below.

> "Length of operating experience in the South and quality of management, including personnel and incentive programs, seem to be important elements in explaining the widely varying experience of the interregional firms replying to the questionnaire. The head offices and top managements of most of those firms are located in the North. Firms with longer experience in the South and in lines well established in that region, like cotton textiles, and paper and pulp, furniture and building materials (excluding lumber), generally reported that labor efficiency and output in the South were equal to, or closely approached labor efficiency and output in the North. An exception to this statement are firms in the food industry, in which the North-South wage differential is large. In this connection, the opinion of the consulting engineers that the quality of industrial management in the South, with many exceptions, of course, is generally below that in the North is significant."[34]

Professor Lester's data are comprehensive; and the conclusions he draws from them are reasonable: so long as they are applied to the firms which he surveyed. Professor Lester at times, however, draws all-embracing conclusions from the results of his study. For example, he says, without qualification: "Any relationship between North-South wage differentials and labor productivity differentials is, therefore,

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[33] Ibid., pp. 73-75.

[34] Ibid., p. 74.

very tenuous and uncertain."[35] At another point, he generalizes even more dogmatically: "Differences in labor efficiency and productivity apparently are not a fundamental factor in regional differences in wage rates. Such wage differentials must, for the most part, be explained on other grounds."[36]

Professor Lester implies, therefore, that the Southern wage differentials are almost entirely caused by interregional differences in living costs, or by interregional differences in the degree of monopoly on the buyers' and/or the sellers' side of the labor market.

Two inadequacies may be noted in Professor Lester's conclusions at this point. First, Professor Lester applies conclusions, appropriate only to his sample, to the entire Southern region; yet, admittedly, his sample is biased in favor of larger firms, the wage rates of which were probably higher than wage rates for the region as a whole. Secondly, he fails to take into consideration the impact that the productivity of Southern labor in its more marginal employments might have upon wage rates in the supra-marginal employments of the region, of which Professor Lester's data are most likely representative.

Further consideration of Professor Lester's conclusions is held in abeyance until additional data on the relationship between productivity of labor and the earnings of labor are adduced.

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[35] Ibid., p. 75.

[36] Ibid.

b. Analysis of South-non-South value-added-by-manufacturing ratios. The purpose of this part of Chapter V is to examine South-non-South ratios of the value added by manufacturing per wage earner in selected manufacturing industries, and to compare these ratios with ratios of South-non-South annual-earnings ratios. Where it is possible, the South-non-South value-added-by-manufacturing ratios are compared with average-hourly-earnings ratios for selected occupations in the selected industries.

In Table XL, South-non-South value-added-by-manufacturing ratios are compared with South-non-South annual earnings ratios in twenty-eight of the largest Southern manufacturing industries.[37] The industries exhibited a wide range of variation in respect to their value-added-by-manufacturing ratios, and their annual-earnings ratios. The value-added-by-manufacturing ratios ranged from 41.8 per cent in the canned, dried fruits, and vegetables industry, to 302.9 per cent in the cigars and cigarettes industry. The next to the highest value-added-by-manufacturing ratio, however, was only 125.6 per cent, in the chemicals, not elsewhere classified, industry. The annual earnings ratios ranged from 46.2 per cent in the lumber and timber products industry, to 122.4 per cent in the cigars and cigarettes industry. The upper and lower limits of the ranges of variation of both ratios would have corresponded closely if the 302.9 per cent value-added-by-manufacturing ratio in the cigar and cigarettes industry were excluded. The latter ratio, though

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[37] These are the same twenty-eight manufacturing industries for which trends in South-non-South annual earnings ratios were given in Table XXIII in Chapter IV. The method of selection of these industries is outlined in the Introduction of Chapter IV.

TABLE XL. SOUTH-NON-SOUTH VALUE-ADDED-BY-MANUFACTURING RATIOS COMPARED WITH SOUTH-NON-SOUTH ANNUAL EARNINGS RATIOS IN SELECTED INDUSTRIES IN 1939

Industry	South-Non-South Value Added By Manufacturing Ratios	South-Non-South Annual Earnings Ratios
Cigars and Cigarettes	302.929	122.395
Chemicals, n.e.c.	125.608	79.439
Pulp Mills	123.345	92.005
Rayon and Allied Products	115.770	104.322
Paper	114.170	90.068
Cement	113.440	82.375
Cast Iron Pipe	94.880	82.096
Boots and Shoes	94.163	91.745
Shirts	93.671	78.705
Tobacco, Chewing and Smoking	93.454	84.949
Textile Dyeing and Finishing	88.167	76.044
Bread and Bakery Products	88.093	72.853
Meat Packing	87.115	72.967
Wood Preserving	79.183	68.284
Wood Products, n.e.c.	78.847	80.113
Fertilizer	78.580	52.470
Cotton Woven Goods	76.985	80.214
Petroleum Refining	74.633	92.188
Knit Goods	73.415	83.483
Furniture	69.522	68.379

TABLE XL. (Continued)

Clay Products	69.118	63.829
Woolen and Worsted Goods	68.192	83.055
Planing Mills	66.460	59.084
Clothing, Men's	63.338	66.431
Boxes	60.339	55.187
Lumber and Timber Products	55.068	46.204
Cordage and Twine	52.503	73.356
Canned, Dried Fruits and Vegetables	41.790	54.567

Source of basic data: United States Census of Manufacturers, 1939.

extremely high, is not difficult to explain. The highly mechanized cigarette industry, with its extremely heavy investment in capital equipment, is concentrated in the South.

The South-non-South value-added-by-manufacturing ratios reflect interregional differences in skill of workers, managerial ability, and amount and quality of capital equipment employed per worker in production. If the type of finished product differs significantly in kind, or quality, the differences in skill of workers may become skill differences between different occupations, rather than within the same occupations. And differences in capital may, also, become differences in kind of equipment.

The South-non-South annual-earnings ratios for all workers need to be compared carefully with earnings ratios for workers in similar occupations in the selected industries. If the occupational composition of the labor force in the South, and in the rest of the United States, was identical in each of the selected industries, South-non-South annual-earnings ratios for all workers would correspond to the earnings ratios for workers in similar occupations in the selected industries. If the occupational composition of the labor force in the South, and in the rest of the United States, differed in each of the selected industries, the South-non-South annual-earnings ratios for all workers would not necessarily correspond to the earnings ratios for workers in similar occupations in the selected industries. Where the occupational composition of the labor force in the South is at a lower average skill level than in the rest of the United States, the South-non-South

annual-earnings ratios for all workers would probably be smaller than the earnings ratios for workers in similar occupations in the selected industries. Since the discussion of regional wage differentials up to this point has frequently been in terms of differentials for workers in similar occupations, the shift to the use of annual-earnings ratios for all workers, in this part of the chapter, should be noted with care.

Returning to Table XL, a degree of direct relationship is noted between the South-non-South value-added-by-manufacturing ratios and the South-non-South annual earnings ratios. As the value-added-by-manufacturing ratios drop, the annual-earnings ratios tend also to drop, although the position of each industry is rarely ever exactly the same in the ranked arrays of the two ratios. If the array of the twenty-eight industries, ranked according to the magnitude of the South-non-South value-added-by-manufacturing ratios, is divided into two equal groups, of fourteen industries each, the relationship between the South-non-South value-added-by-manufacturing ratios and the South-non-South annual-earnings ratios is brought to light. In the group of fourteen industries with the highest South-non-South value-added-by-manufacturing ratios, on the one hand, the South-non-South annual-earnings ratio was less than 60.0 per cent in no industry; between 60.0 and 70.0 per cent in one industry; between 70.0 and 80.0 per cent in five industries; between 80.0 and 90.0 per cent in three industries; between 90.0 and 100.0 per cent in three industries; and more than 100.0 per cent in two industries. In the group of fourteen industries with the lowest South-non-South value-added-by-manufacturing ratios, on the other hand, the South-non-

South annual earnings ratio was less than 60.0 per cent in five industries; between 60.0 and 70.0 per cent in three industries; between 70.0 and 80.0 per cent in one industry; between 80.0 and 90.0 per cent in four industries; between 90.0 and 100.0 per cent in one industry; and over 100.0 per cent in no industry.

The conclusion to be drawn from the degree of direct relationship between the South-non-South value-added-by-manufacturing ratios and the South-non-South annual-earnings ratios is that annual earnings are, to a certain degree, positively related with labor productivity in both the South and the rest of the United States. This conclusion runs counter to Professor Lester's assertion that, "differences in labor efficiency and productivity apparently are not a fundamental factor in regional differentials in wage rates."[38] Professor Lester, however, was speaking of wage rates for similar occupations, in similar industries, rather than annual earnings for the entire employed labor force in similar industries. If, therefore, South-non-South differentials in wage rates, or earnings, in identical occupations differed markedly from South-non-South differentials in wage rates, or earnings, for the entire labor force (all occupations), Professor Lester's conclusion could stand as valid, even in the face of the direct relationship between South-non-South value-added-by-manufacturing ratios, and South-non-South annual-earnings ratios, shown in Table XL.

Data, giving annual earnings for workers in selected occupations

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[38] Lester, op. cit. p. 75.

in the twenty-eight industry classifications in Table XL, are not available. The Wage Structure surveys of the United States Bureau of Labor Statistics, however, supply basic data which allow comparisons between Southeast-United States average-hourly-earnings ratios for all workers in selected industries, and Southeast-United States average-hourly-earnings ratios for workers in selected occupations, in selected industries, in which both the South and the United States had workers employed.

In Table XLI, comparisons between Southeast-United States average-hourly-earnings ratios for all workers in selected industries, and for workers in selected occupations, in selected industries, are presented for thirty industries. The correspondence between the two ratios is close. In only two of the thirty industries do the two ratios differ by more than 10.0 percentage points. In ten of the thirty industries the difference between the two ratios is between 5.0 to 10.0 percentage points; while in eighteen of the industries the difference between the two ratios is less than 5.0 percentage points.

Professor Lester's assertion that "differences in labor efficiency and productivity apparently are not a fundamental factor in regional wage rate,"[39] becomes highly questionable in light of the evidence adduced in Table XLI; for in that table it was shown that Southeast-United States earnings ratios for all workers corresponded with Southeast-

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39 Ibid.

TABLE XLI. COMPARISON OF SOUTHEAST-UNITED STATES RATIOS OF AVERAGE HOURLY EARNINGS FOR ALL WORKERS, AND FOR WORKERS IN SELECTED OCCUPATIONS, IN THIRTY SELECTED MANUFACTURING INDUSTRIES

Industry	Southeast-U. S. Ratio of Average Hourly Earnings		Number of Occupations
	All Workers	Selected Occupations	
Pulp and Paper	97.6	106.7	6
Seamless Hosiery	98.4	98.9	6
Rayon and Silk Textiles	97.5	98.5	7
Cigars	102.7	98.4	6
Cotton Textiles	98.7	98.2	9
Knitwear	91.8	97.2	7
Tobacco and Snuff	88.7	95.2	6
Paperboard	92.8	92.8	6
Full-Fashioned Hosiery	90.7	92.2	8
Cotton Work Pants	91.4	91.3	5
Textile Dyeing and Finishing	87.6	88.1	6
Glassware	82.9	86.8	8
Woolen and Worsted Textiles	84.0	86.7	8
Candy and Chocolate	69.8	85.0	6
Wood Furniture	78.9	84.8	7
Machinery	77.9	84.3	8
Fabricated Structural Steel	85.6	83.3	6
Industrial Cotton Garments	84.4	83.1	5
Drugs and Medicine	76.1	82.8	7
Dress Shirts and Nightwear	82.4	81.6	7

TABLE XLI. (Continued)

Corrugated and Fiber Box	79.5	80.5	4
Foundries, Ferrous	68.3	78.4	6
Footwear	78.3	78.2	8
Industrial Chemicals	69.3	76.8	4
Bakeries	73.7	75.6	6
Structural Clay Products	75.0	75.2	4
Set-Up Box	80.9	74.3	6
Sheet-Metal	64.2	69.5	5
Meat Products (Except Big Four)	69.4	66.8	7
Women's and Misses' Dresses	48.9	55.9	5

Source: United States Bureau of Labor Statistics, Wage Structure bulletins, Series 2, Nos. 1 to 65.

United States ratios for workers in selected occupations.

Professor Lester's assertion that, "differences in labor efficiency and productivity apparently are not a fundamental factor in regional wage rate,"[40] has only one remaining support on which to rest. The remaining support is that differences in the productivity of Southern workers and Northern workers are due to radically different industrial structures within individual manufacturing industries, which would give rise to occupational groups, in one region, which were not present in the other. That such a condition should exist throughout all the large Southern industries is not credible. The relative narrowness of the 351 census sub-industry classifications in the manufacturing industry, and the ability of the Wage Structure surveys of the United States Bureau of Labor Statistics to compare wages on similar occupational bases in many of the twenty-eight industries for which South-non-South value-added-by-manufacturing ratios were given in Table XL give evidence of a roughly similar occupational structure in the South and in the rest of the United States. In addition, the size of the twenty-eight selected industries in the South and the high degree of standardization in modern industrial technology constitute further evidence of a similar occupational structure between the South and the rest of the United States. This evidence, if applicable, contradicts the idea that the Southern wage differentials in identical occupations are not based upon productivity, to some degree.

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[40] Ibid.

Professor Lester, it seems, was led into an overstatement, by a sample which was either not large enough, or not sufficiently representative.

One final point should be made clear before presenting additional data on the relationship between South-non-South value-added-by-manufacturing ratios and South-non-South annual-earnings ratios. The point is that the argument with Professor Lester is not about whether Southern labor is equal, or not, in native skill, or native efficiency, with labor in the rest of the United States. It may, or may not, be. Existing studies, the most comprehensive of which is Professor Lester's, show that in broad industrial areas Southern labor skill is probably equal to labor skill in the rest of the United States in comparable occupations. The argument with Professor Lester is about the productivity of Southern labor, as compared with labor in the rest of the United States in similar occupations, and the relationship between the regional differentials in productivity and the Southern wage differentials. Differences in labor productivity, it should be emphasized, can arise from other sources than native skill or efficiency; namely, out of differences in managerial ability, and the amount and quality of capital equipment used per worker.

Data for the twenty-eight selected industries listed in Table XL were not available for any year later than 1939. In Table XLII, however, South-non-South value-added-by-manufacturing ratios are compared with annual-earnings ratios for twelve major census classifications of manufacturing industries. Little relationship is revealed

by the table between the two ratios for the twelve major census classifications of manufacturing industries. The data presented in Table XLII appear to be contradictory with the data presented in Table XL. The major census classifications of manufacturing industries are extremely broad, however; and it is likely that the individual manufacturing industries within each major census industry group differ to such an extent between regions that interregional comparisons of value-added-by-manufacturing ratios with annual-earnings ratios have little meaning.

PROBABLE ECONOMIC CONSEQUENCES OF THE ELIMINATION OF THE SOUTHERN WAGE DIFFERENTIALS IN THE MANUFACTURING INDUSTRY

Introduction. In Chapter IV the impact of trade unionism on the wage structure of selected Southern manufacturing industries was statistically examined. The process of examination involved: (1) the comparison of union with nonunion average hourly earnings in selected occupations in selected industries in the Southeast, the Southwest, and the United States; (2) the comparison of the union-nonunion differentials in average hourly earnings with city-size, and plant-size differentials, in selected occupations, in selected industries, in the Southeast; (3) the comparison of average hourly earnings of all workers in selected industries in the Southeast and the Southwest with average hourly earnings in the United States, in selected manufacturing industries; (4) the comparison of Southeast-United States average-hourly-earnings ratios for all workers with the per cent of unionization in the Southeast,

TABLE XLII. SOUTH-NON-SOUTH VALUE-ADDED-BY-MANUFACTURING RATIOS COMPARED WITH SOUTH-NON-SOUTH ANNUAL EARNINGS RATIOS, IN MAJOR CENSUS CLASSIFICATIONS OF INDUSTRY, 1947

Industry	South-Non-South Value Added by Manufacturing Ratios	South-Non-South Annual Earnings Ratios
Paper and Allied Products	197.84	93.44
Stone, Clay, and Glass Products	144.71	76.92
Leather and Leather Products	136.38	97.71
Products of Petroleum and Coal	110.62	100.83
Machinery	95.42	86.80
Iron, Steel and Non-Ferrous Metals	90.79	85.03
Transportation Equipment	81.32	90.75
Printing, Publishing, etc.	80.12	80.44
Chemicals and Allied Products	73.28	85.56
Miscellaneous	72.68	75.64
Lumber Products and Furniture	69.81	104.90
Food and Kindred Products and Tobacco	63.90	74.48
Textile Products and Apparel	35.16	39.52

Source of basic data: United States Census of Manufactures, 1947.

and with the percentage-point differences in the degree of unionization between the Southeast, and the United States, in selected industries; (5) the computation of trends in South-non-South hourly-earnings ratios, and South-non-South average-annual-earnings ratios in selected occupations in selected industries; and (6) the comparison of trends in South-non-South average-hourly-earnings, and average-annual earnings ratios with the percent of unionization in the Southeast, and with the differences in the degree of unionisation between the Southeast and the United States, in selected industries.

In the preceding sections of this chapter the economic theory of regional wage differentials was developed, and the economic justification for each hypothetical cause of regional wage differentials was determined. In addition, the historical causes of regional wage differentials were examined.

The question, to which an answer must now be sought, can be briefly put: What would be the economic consequences of the elimination of the Southern wage differentials in the manufacturing industry by trade union action? It is a question which is neither idle, nor academic; for, as was explicitly pointed out in Chapter III, the prime objective of the trade unions in the South is the elimination of the Southern wage differentials.

The remainder of this section is devoted to devising a qualified answer to the foregoing question. No pretensions are made that final and definitive answers have been found. The complexity of economic problems and the incompleteness of certain kinds of economic data

preclude the definitive solution of economic problems.

The order of procedure in the remainder of this section is: (1) to set forth, in summary fashion, the facts pertaining to the extent of Southern wage differentials in the manufacturing industry; (2) to reach conclusions pertaining to the historical causes of the Southern wage differentials in the manufacturing industry; and (3) to trace the economic consequences of the elimination of the Southern wage differentials in the manufacturing industry on the basis of the economic justification for the historical causes of the differentials.

The extent of Southern wage differentials in the manufacturing industry. (1) A Southern wage differential exists in nearly all manufacturing industries. The differential exists both for all workers, and for workers in identical occupations, in each industry,[41] although the differential for all workers tends to be larger than for workers in identical occupations in most industries (nineteen out of thirty industries in Table XLI). The South-United States average-hourly-earnings ratios in thirty-six selected manufacturing industries ranged from 48.9 per cent, in the women's and misses' dress industry, to 102.7 per cent, in the cigar industry. In only two of the thirty-six industries, however, did the South-United States average-hourly-earnings ratio exceed 100.0 -- the cigar and coal mining industries.

(2) The South-United States average-hourly-earnings ratios were

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[41] Differences in the type and quality of goods produced, and differences in methods of manufacturing, cause regional differences in the occupational composition of the labor force within the same industry classifications.

well distributed over the 48.9 to 102.7 per cent range of variation for the thirty-six selected industries.

(3) The South-United States average-hourly-earnings ratios tended to be highest in the tobacco, coal mining, paper, textile, and apparel industries. The ratios tended to be lowest in a diversified group of industries: the women's and misses' dress, sheet metal, ferrous foundries, industrial chemicals, meat products except Big Four, and candy and chocolate industries.

(4) The trend in the South-non-South average-hourly-earnings ratios in comparable occupations for the entire manufacturing industry was practically horizontal between 1900 and 1944. The trend over the longer period concealed two divergent movements in the South-non-South average-hourly-earnings ratio: a downward trend between 1919 and 1931-1932, and an upward trend between 1931-1932, and 1944.

(5) The trends in South-non-South average-hourly-earnings ratios among nine individual industries, including two nonmanufacturing industries, were divergent. In five of the nine industries the trends were upward; in the remaining four industries they were nearly horizontal.

(6) The trend in the South-non-South annual-earnings ratios for all workers in twenty-eight industries, for the period from 1919 to 1939, was downward. The trends among individual industries were divergent: the South-non-South ratios falling in thirteen industries, and rising in fifteen industries.

Historical causes of Southern wage differentials. (1) Only a multiple-causation theory of existing Southern wage differentials in the

manufacturing industry is adequately explanatory. It is the position of this study that the existing Southern wage differentials in the manufacturing industry (expressed in terms either of wage rates, hourly earnings, or annual earnings, for all workers, or for workers in identical occupations) are the result of the following factors: (1) lower labor productivity in the South, than in the rest of the United States, resulting from the use of less and poorer capital equipment per worker, a lower level of skill among Southern workers, and/or a lower level of efficiency among Southern entrepreneurs; (2) a less highly organized labor force in the South; (3) a lower cost of living in the South; (4) a smaller number of buyers in local labor markets in the South; and (5) a larger proportion of Negroes in the labor force in the South.

(2) The assessment of the relative importance of the following factors, as causes of the Southern wage differentials in the manufacturing industry, cannot be made on a strictly scientific basis. Data have been presented however, which support the ranking of the causes of regional wage differentials, in the order of their importance, into the following categories: lower labor productivity in the manufacturing industry in the South, than in the rest of the United States; a less highly organized labor force and a lower cost of living in the South; a smaller number of buyers in local labor markets in the South; and a larger number of Negroes in the labor force in the South.

(3) The conclusion of this study is that a lower level of labor productivity in the manufacturing industry in the South, than in the

rest of the United States, is the most important cause of the Southern wage differentials in the manufacturing industry. A noticeable degree of relationship between the South-non-South value-added-by-manufacturing ratios, and South-non-South annual-earnings ratios is revealed in Table XL. On the basis of a subjective evaluation, the relationship between South-non-South value-added-by-manufacturing ratios per wage earner, and South-non-South annual-earnings ratios, seemed stronger than the relationship of South-non-South wage ratios with any other causative factor. It is interesting to note that the 1939 South-non-South ratio of value added by manufacturing per wage earner for the combined twenty-eight manufacturing industries listed in Table XL was 69.6 per cent, as compared with the 1939 South-non-South ratio of annual earnings per wage earner of 73.2 per cent.

(4) The conclusion of this study is that a lower degree of unionization and a lower cost of living in the South, than in the United States, are the next most important causes of the Southern wage differentials in the manufacturing industry. This conclusion is highly tentative.

In Table XIII the relationship of South-United States average-hourly-earnings ratios with differences in the degree of unionization between the South and the United States was presented. A degree of relationship between the two factors was revealed in the comparison of the seven industries in which the South-United States average-hourly-earnings ratios were highest, with the fifteen industries in which the South-United States average-hourly-earnings ratios were lowest. The industries were the cigar, coal mining, cigarettes, cotton textiles,

seamless hosiery, paperboard, and knitwear industries. Data on labor productivity in industry classifications similar to the above were available for six of the above seven industries. It is interesting to note that the productivity of labor in these industries was high relative to other Southern industries. In the cigar and cigarette industry, combined, the South-non-South value-added-by-manufacturing ratio was 302.9; in the paper industry, 114.2; in the cotton woven goods industry, 77.0; and in the knit goods industry, 73.4, as compared with an average South-non-South value-added-by-manufacturing ratio for all workers in twenty-eight industries, of 73.2 per cent. No South-non-South value-added-by-manufacturing ratio was computed for the coal industry; but the National Defense Mediation Board found that the productivity of Southern workers in the coal mining industry was equal to that of Northern workers.[42]

The cost of living in nine large Southern cities was 4.4 per cent less than the cost of living in twenty-nine large cities in the rest of the United States. The differential in living costs was attributable to the much cheaper cost of equivalent housing and clothing in the South. This fact seems to indicate that the lower cost of living in the South is dependent upon the climate factor, and hence highly permanent. Nevertheless, the Bureau of Labor Statistics reports that the South-non-South differential in living costs closed somewhat during the war years. The trend may, or may not continue; most likely, it will not.

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[42] See page 241 of this chapter.

(5) The tentative conclusion of this study is that the smaller number of buyers in the local labor markets of the South, resulting from the smaller size of the Southern cities which serve as the nuclei of local labor markets, is the fourth most important cause of the Southern wage differentials in the manufacturing industry. Tables XXXV and XXXVI show a larger percentage of manufacturing establishments in the smaller city-size classifications in the South, than in the rest of the United States. In Tables XXXVII and XXXVIII, the relationship is presented between Southeast-non-Southeast average-hourly-earnings ratios and differences in the per cent of firms located in given city-size classification(s) in the Southeast, and the rest of the United States. The data in Table XXXVII seem to reveal a very slight degree of relationship between the two factors; but the data in Table XXXVIII reveal no apparent relationship.

(6) The tentative conclusion of this study is that the presence of a larger proportion of Negroes in the manufacturing labor force of the South, than in the rest of the United States, is the fifth most important cause of the Southern wage differentials in the manufacturing industry. Data were available for comparing white and Negro wages in manufacturing industries employing one-half of the Negroes engaged in manufacturing in the South. The data revealed that in two of the three industries Negro average hourly earnings were slightly lower than white average hourly earnings in the same occupations, and that Negro average hourly earnings were lower in the South, relative to white average hourly earnings, than in the rest of the Unites States. In the iron

and steel industry, however, no differentials were discovered between Negro and white average hourly earnings in the same occupations.

(7) The foregoing conclusions dealing with the historical causes of Southern wage differentials in the manufacturing industry are broad generalizations dealing with the Southern region as a whole. Since the Southern regional labor market is in reality a congeries of local labor markets, it is not necessary that the conclusions here stated should accurately describe the differentials in any given local labor market in the South. It is possible, indeed very likely, that local labor markets differ markedly from one another in respect to the level of wages prevailing in them, and to the key factors controlling their relative wage levels.

Probable economic consequences of the elimination of the Southern wage differentials in the manufacturing industry. The historical causes of the Southern wage differentials in the manufacturing industry were summarized above. It is the purpose of this part of the chapter to trace out the economic consequences of the rapid elimination of the Southern wage differentials in the manufacturing industry.

(1) To the extent that the Southern wage differentials in the manufacturing industry are due to a lower level of labor skill, a poorer quality or smaller amount of capital equipment used per worker, or less efficient management in the South, than in the rest of the United States, the immediate elimination of the Southern wage

differentials is not economically[43] justified. Their elimination would slow down, to a greater or lesser extent, the movement of capital to the low-wage Southern region, and the movement of labor to the high-wage Northern region, two adjustments which normally and naturally would tend to reduce the Southern wage differentials. The immediate elimination of the Southern wage differentials would, thus, produce an uneconomic allocation of resources and a lower standard of living both in the South, and the rest of the United States.

Since differences in labor productivity between the South and the North are, according to this study, a major cause of the Southern wage differentials, any proposal for the immediate and complete elimination of the differentials on a regional basis is not economically sound. Nor is it likely that the differentials can be economically eliminated in the very near future. Differences in labor skill, managerial skill, or the quality or amount of capital equipment used per worker cannot be overcome in a season, or a year.

How long will it take the South to overcome its deficiences in labor skill, managerial efficiency, and relatively insufficient capital equipment? How can it be determined when such deficiences have been eliminated? The answer to the first question is completely open to speculation, and quite beyond the limits of this study. The answer to the latter question is also difficult. Value-added-by-

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[43] Anything is economically justified if it maximizes income by increasing the difference between input and output. An economic distribution of income, therefore, means a distribution of income according to the productivity of the factors of production in their marginal employments, or functions. An economic allocation of the factors of production, or resources, means a distribution to maximize their productivity.

manufacturing ratios for industries, by region, state, and local labor markets, offer the best rough measure of comparative labor productivity, although such ratios are dependable only if they are restricted to census sub-industry classifications that include comparable individual industries. Assuming roughly similar industrial structures, within and among industry classifications, which is not too unreasonable an assumption for regional areas, wage differentials can be economically removed when the South-non-South value-added-by-manufacturing ratios reach unity. As more and more industries achieve unity in their South-non-South value-added-by-manufacturing ratios, the closer will the South be to the elimination of the Southern wage differentials.

(2) Whether or not the Southern wage differentials in the manufacturing industry are economically justified, to the extent they are due to a lower degree of unionization in the South, than in the rest of the United States, depends upon the source of the differential in earnings accruing to the more highly organized non-Southern workers. If the differential in the latter's earnings came from the appropriation of monopoly profits which previously had arisen out of the exploitation of labor before union organization occurred in the non-Southern labor market, the wage differential is justied. The differential would reward the labor factor according to its productivity; produce a more economic distribution of income; stimulate organization in the low-wage Southern region, where exploitation would be reduced if present; and lead regionally to a better allocation of resources.

If the differential in earnings came from the appropriation of

monopoly profits which were arising out of the non-Southern employers' monopolistic positions in their product markets, the differential might or might not be economically justified. There is no scientific basis for determination. From an economic viewpoint, the monopolistic condition of the product market should be eliminated. Of course, if the organization of labor was the factor which placed the non-Southern employers in a monopolistic position in their product market, the differential is not justified.

If the labor market had been competitive before the organization of non-Southern workers, higher wages in the rest of the United States would have to come from income distributed, according to productivity, to the other factors of production. The wage differentials between the South and the rest of the United States would not be economically justified under such circumstances. The existence of the differentials would tend to contract employment and to reduce the propensity of non-Southern entrepreneurs to invest additional capital in the rest of the United States. The differential would also lead to an uneconomic allocation of resources between regions. The differential could, therefore, be eliminated on economic grounds; but it should be eliminated by a reduction of the level of Northern wages, not by an elevation of the level of Southern wages.

In this study no attempt is made to answer the question of the source of that part of the regional differentials in wages which accrues to Northern labor because it is more highly organized than Southern labor. It is the writer's opinion that the differential in income

attributable to a higher degree of organization in the North has historically, in some instances, come from the appropriation of monopoly profits arising out of exploitation, in other instances, from the income formerly accruing, according to the productivity principle, to other factors of production. Or, it may be likely, a sequence was followed, whereby at first the differentials came from monopoly profits, followed later by a time when they came from the return to other factors of production, as a result of labor's monopoly power. A field for research exists here worthy of further attention.

(3) To the extent that the Southern wage differentials in the manufacturing industry result from a lower cost of living in the South, than in the rest of the United States, the differential is justified. Seemingly, the cost of living is lower in the South, than in the rest of the United States, because of a warmer climate, which makes equivalent housing and clothing cheaper in the South. The existence of a wage differential on this ground tends to produce an allocation of labor and capital in such a manner as to utilize most economically the climatic factor. The elimination of that part of the Southern wage differential attributable to a lower cost of living in the South would produce an uneconomic geographical allocation of labor and capital, and yield a lower scale of living, both for the South and the United States.

(4) To the extent that the Southern wage differentials in the manufacturing industry are caused by a lower degree of competition on the buyers' side of the labor market in the South, than in the United States, the differential is not justified. It should be eliminated

by raising the level of Southern wages. Its elimination would lead to a distribution of income according to productivity in the South, and a more economic allocation of resources between regions.

(5) Whether or not the Southern wage differentials, to the extent they are caused by the presence of Negroes in a larger proportion in the South, than in the United States, should be eliminated, depends upon the underlying cause of the Negro-white wage differentials in the South. To the extent they are based upon actual differences in skill, the differentials should not be eliminated, as pointed out in "(1)" above. To the extent they are based upon lack of knowledge of labor market conditions, or custom, the differentials could be eliminated with beneficial results. Their elimination would produce a more economic distribution of income, and, probably, a more efficient Negro labor force.

(6) To summarize, to the extent the Southern wage differentials are caused by the lower productivity of labor in the South, and the lower cost of living in the South, it cannot be eliminated immediately without producing a distribution of income between capital, labor and land unrelated to their productivity in their respective functions, an allocation of the factors of production between the South and the rest of the United States unrelated to their productivity in each region, and a lower scale of living in the South, and in the United States. To the extent the Southern wage differentials are caused by the setting of a monopolistic price on labor services by the more highly organized Northern workers, they could be eliminated by lowering the level of wages in the North, for the same reasons given above.

To the extent the Southern wage differentials are the result of the elimination of "exploitation" in Northern labor markets by more highly organized Northern workers, a smaller number of employers bidding for labor services in Southern local labor markets, or a larger proportion of Negroes receiving uneconomically low wages due to ignorance or custom, it can be eliminated with the result of a more economic distribution of income among the factors of production, a more economic allocation of the factors of production between the South and the United States, and higher standards of living for the South and the rest of the United States.

(7) Since it is the conclusion of this study that differences in labor productivity constitute the most important cause of the Southern wage differentials, the immediate and complete elimination of the Southern wage differentials as proposed by the unions would not seem to be the course of wisdom, from an economic viewpoint. Partial elimination of the differentials could undoubtedly be achieved with economically beneficial results. Complete elimination, to be economically justified, must await the elimination of differentials in labor productivity and the cost of living.

(8) In light of the organization of the regional labor market into numerous, semi-isolated local labor markets, with different local conditions and prevailing wage levels, the adoption of a blanket policy of elimination is highly questionable. The elimination of the Southern wage differentials, if, and when, their complete elimination is justified, could most economically be carried out on a local-

labor-market basis, taking peculiar local conditions into consideration.

THE IMPACT OF THE ELIMINATION OF THE SOUTHERN WAGE DIFFERENTIALS ON THE TOTAL COSTS OF SELECTED MANUFACTURING INDUSTRIES

Table XLIII has been constructed to show the impact of the immediate elimination of the Southern wage differentials on the total costs of selected manufacturing industries. The table was constructed by multiplying the ratio of labor costs to total costs in the South in each selected industry times the ratio of the Southern annual-earnings differential to Southern annual earnings in each industry. The data were taken from the Census of Manufactures of 1939.

In Table XLIII data are given for twenty-six manufacturing industries. The increase in total costs that would be occasioned by the immediate elimination[44] of the Southern wage differentials varies from 0.4 per cent in the petroleum refining industry to 32.0 per cent in the lumber and timber products industry. In nineteen of the industries the increase in total costs is below 10.0 per cent; while in ten of the industries the increase in total costs is less than 5.0 per cent. The six industries with the lowest increase in total costs are the petroleum refining, chewing and smoking tobacco, paper, pulp mill, meatpacking, and boots and shoes industries. The six industries with the highest increase in total costs are the lumber and timber products, wood boxes, clay products, planing mills, furniture, and men's clothing industries.

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[44] Elimination is assumed to be accomplished by raising the level of Southern wages.

TABLE XLIII. THE IMPACT OF THE IMMEDIATE ELIMINATION OF THE SOUTHERN WAGE DIFFERENTIALS ON TOTAL COSTS IN SELECTED LARGE SOUTHERN MANUFACTURING INDUSTRIES

Industry	Increase in Total Costs from Elimination of Southern Wage Differential	Ratio of Labor Costs to Total Costs	Ratio of Annual-Southern Earnings Differential to Southern Annual Earnings
Lumber and Timber Products	32.04	27.5	116.5
Boxes, Wood	18.43	22.7	81.2
Clay Products	17.07	30.1	56.7
Planing Mills	11.48	16.6	69.2
Furniture	10.81	23.4	46.2
Clothing, Men's	10.17	20.1	50.6
Canned and Dried Fruits and Vegetables	9.65	11.6	83.2
Cordage and Twine	7.49	20.7	36.2
Bread and Bakery Products	6.66	17.7	37.2
Dyeing and Finishing	6.45	20.4	31.6
Knit Goods	6.26	31.6	19.8
Cotton Woven Goods	6.08	24.6	24.7
Shirts	5.75	21.2	27.1
Cast Iron Pipe and Fittings	5.58	25.6	21.8
Fertilizer	5.43	6.0	90.5
Wood Preserving	4.41	9.5	46.4
Woolen and Worsted Goods	3.55	17.5	20.3
Cement	2.76	12.9	21.4

TABLE XLIII. (Continued)

Chemicals, n.e.c.	2.23	8.6	25.9
Boots and Shoes	2.05	22.5	9.1
Meat Packing	2.04	5.5	37.0
Pulp Mills	1.23	14.1	8.7
Paper	1.20	10.9	11.0
Tobacco, Chewing and Smoking	1.19	6.7	17.8
Petroleum Refining	0.40	4.7	8.5

Source of basic data: United States Census of Manufactures, 1939.

It is interesting to note that in Table XLIII there is a fairly evident tendency for increases in the ratio of labor costs to total costs to be directly related to the size of the Southern wage differentials. Such a relationship introduces the idea that the Southern wage differentials in the manufacturing industries might be caused by the varying percentage which labor costs bear to total costs in each industry. Further investigation also reveals, as anticipated, that labor productivity tends to vary directly with the ratio of labor costs to total costs. Such a relationship tends to indicate that productivity of labor is high when it is combined with large amounts of capital, so that productivity of labor is the controlling factor in producing regional wage differentials, rather than the mathematical ratio of labor costs to total costs.

OTHER FACTORS WHICH INFLUENCE THE DEVELOPMENT OF THE SOUTHERN MANUFACTURING INDUSTRY

The relationship of Southern wages to Northern wages is only one of the factors affecting the development of the Southern manufacturing industry. The availability of raw materials, the cost of raw materials, the adequacy of transportation facilities, the cheapness of transportation facilities, a mild climate, the existence of adequate markets — all of these factors, as well as the relative cost of labor, affect the regional location and growth of the manufacturing industry. The Committee of the South of the National Planning Association in a recent survey of eighty-eight new manufacturing plants in the South concluded

that 45.0 per cent of the plants were located in the South to supply a more profitable market for their finished products, 30.0 per cent to utilize a more economical source of raw materials, and 25.0 per cent to utilize labor supply.[45]

If other locational advantages are great enough, the manufacturing industry of the South might continue to grow at a relatively rapid pace, even though the Southern wage differentials were immediately and completely eliminated without full economic justification. Such an eventuality would not be contradictory to the conclusions reached in this study. The economic effects resulting from the immediate elimination of the Southern wage differentials would not have been eliminated. Their impact would only have been offset.

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[45] Committee of the South, National Planning Association, New Industry Comes to the South (Washington, D. C.), 1949, p. 4.

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John Pipkin Owen was born on September 13, 1919 in Newport, Arkansas. His parents were Henry Morrison Owen, Senior, and Alice Calla Pipkin Owen.

In September, 1926 he entered Newport High School, from which he graduated in 1936.

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EXAMINATION AND THESIS REPORT

Candidate: John Pipkin Owen

Major Field: Economics

Title of Thesis: Economic Implications of the Impact of Trade Unionism on the Southern Manufacturing Industry

Approved:

Major Professor and Chairman

Dean of the Graduate School

EXAMINING COMMITTEE:

Date of Examination:

August 1, 1949